

Historic, Archive Document

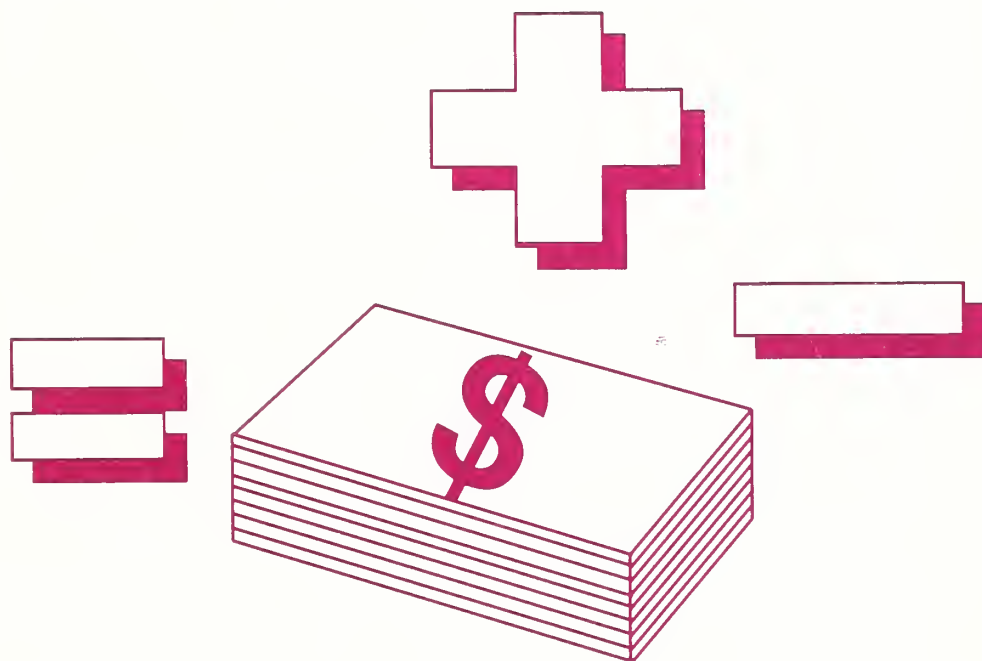
Do not assume content reflects current scientific knowledge, policies, or practices.

Office of
the Secretary

Office of
Finance and
Management

Secretary's Management Report

April 1, 1991 - September 30, 1991



CONTENTS

	Page
Message From the Secretary	
Introduction	1
Definitions	4
Department-Wide Statistical Tables	
Status of Audit Reports	5
Audit Report Recommendations	7
Audits With Management Decisions	9
Final Action on Audits With Disallowed Costs and With Funds To Be Put To Better Use For the 6-Month Period Ending September 30, 1991	11
Monetary Audits Needing Final Action at the End of the 6-Month Period	13
Audits Under Appeal or Legislative Solution	15
Agency Audits Without Final Action 1 Year From the Management Decision Date	17
Explanations of Agency Audits Without Final Action 1 Year From the Management Decision Date	33
Appendix A - Final Action on Audits With Monetary Findings	
-Agricultural Marketing Service	81
-Agricultural Research Service	82
-Agricultural Stabilization and Conservation Service	83
-Animal and Plant Health Inspection Service	84
-Cooperative State Research Service	85
-Economic Research Service	86
-Extension Service	87
-Farmers Home Administration	88
-Federal Crop Insurance Corporation	89
-Food and Nutrition Service	90

-Food Safety and Inspection Service	91
-Foreign Agricultural Service	92
-Forest Service	93
-Office of Finance and Management	94
-Office of the General Counsel	95
-Office of Information Resources Management	96
-Office of the Secretary	97
-Rural Electrification Administration	98
-Soil Conservation Service	99

Abbreviations

AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ARS	Agricultural Research Service
ASCS	Agricultural Stabilization and Conservation Service
CSRS	Cooperative State Research Service
ERS	Economic Research Service
ES	Extension Service
FAS	Foreign Agricultural Service
FmHA	Farmers Home Administration
FCIC	Federal Crop Insurance Corporation
FGIS	Federal Grain Inspection Service
FNS	Food and Nutrition Service
FS	Forest Service
FSIS	Food Safety and Inspection Service
NASS	National Agricultural Statistics Service
OFM	Office of Finance and Management
OGC	Office of the General Counsel
OICD	Office of International Cooperation and Development
OIG	Office of Inspector General
OIRM	Office of Information Resources Management
OO	Office of Operations
OSEC	Office of the Secretary
REA	Rural Electrification Administration
SCS	Soil Conservation Service



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

January 14, 1992

MESSAGE FROM THE SECRETARY

This is a cumulative report indicating the status of implementation of OIG audits and recommendations to USDA since 1988. The numbers represented are of substantial concern to the management of the Department. Actual projections of savings through implementation of OIG recommendations are difficult to quantify. In the past, agency heads have been reluctant to challenge quantifications of savings and losses to the Department identified by the OIG. In the future, these audits will receive additional scrutiny by the agency heads to assure realistic projections of the benefits of corrective actions.

Unfortunately, the format of the report does not provide a mechanism to describe "work in progress" on audits. This report only quantifies audits in which "final action" was taken. It is estimated that the Department has implemented over 60 percent of the 3,533 recommendations outlined in 492 reports. For example, Farmers Home Administration audit report number 04600-3-SF contained 17 recommendations and management implemented 94 percent of the projected savings. But because the format of the report reflects only the totally completed actions, no credit appears for what has been done. This system of reporting does not accurately reflect the current status of implementation of OIG recommendations and corrective actions taken by the Department.

I strongly believe that audit evaluation can be a useful tool for the productive management of any organization and in particular USDA. However, I want these audits and reports to reflect real dollars and solid improvements to the Department and services for the constituents of the Department. I will continue to monitor the audit review process of the Department and expect to report improvements in the future.


Edward Madigan
Secretary

INTRODUCTION

The Secretary's Management Report to the Congress is required by the Inspector General Act Amendments of 1988. The Act requires that the Secretary report directly to the Congress on the status of actions taken on audit recommendations. This is the fifth report issued under the Act and covers the 6-month period April 1 through September 30, 1991. The report reflects management's implementation of recommendations contained in audit reports issued by the United States Department of Agriculture's (USDA) Office of Inspector General (OIG) and explains why action on an audit remains incomplete 1 year from the management decision date. It complements OIG's Semiannual Report to Congress which includes data on audit reports issued during this 6-month period and the status of management decisions made during the period.

Over the past 6 months, the Office of Finance and Management (OFM) monitored and analyzed 492 audits with 3,533 recommendations for action by USDA management. This compares to 541 audits with 3,430 recommendations for October 1, 1990, through March 31, 1991. Of the 492 audits, 317 are from the prior 6-month period and contain 2,470 recommendations which have not been implemented in their entirety. However, corrective action is complete on 1,491 or 60 percent of the 2,470 recommendations, and management is in the process of finalizing action on the remaining recommendations.

Action is complete on 149 audits. As a result, management recovered \$6,768,829 in costs and wrote off \$25,506,114 in uncollectible debts due to bankruptcies, excessive cost of collections, legal determinations, or terminations in program participation. Management implemented recommendations that put \$13,767,596 to better use and determined that recommendations for \$27,447,298 could not be used efficiently, mainly due to statutory or other mandatory requirements.

Of the 492 audits, 112 audits do not have final action on the entire audit 1 year from the management decision date. Many of the management decisions to effect corrective action on these audits involve complex automated system changes, long-term formal regulations and directives, legal implications, actions by non-USDA agencies, and other time-consuming actions to implement the management decisions. Of the 112 audits, management completed action on 40 recommendations, which resulted in the recovery of \$627,095 in costs that management determined should not be charged to USDA programs (disallowed) and \$192,542,858 in funds they determined could be used more efficiently (funds to be put to better use).

Of the 492 audits, 47 audits are either under appeal or require a legislative solution to effect final action. Although the appeal and legislative processes preclude final action on these audits in their entirety, management completed action on 65 recommendations, recovering \$1,696,268 which they determined should not be charged to USDA programs. Additionally, management put \$60,615,800 in funds to better use and determined that \$12,680,562 could not be used more efficiently.

DISALLOWED COSTS

Audits From the Prior 6-Month Period: As of April 1, 1991, 179 of the 317 audits without final action contained \$67,213,354 in costs that management agreed should not be charged to USDA programs. During this 6-month period, agencies completed 41 percent of the recommendations contained in these 179 audits, recovering \$1,254,574 in costs which should not have been charged to their programs. Another \$208,518 in costs were written off as uncollectible debts due to bankruptcies, excessive cost of collections, legal determinations, or terminations in program participation.

Management Decisions Made During the 6-Month Period: From April 1 through September 30, 1991, management made decisions on 175 audits containing 1,064 recommendations and completed action on 310 of these recommendations. Of the 175 audits, 95 contain \$13,618,046 in disallowed costs. Although actions on all recommendations in these 95 audits are not complete, management implemented 22 percent of the recommendations, recovering \$297,831 and writing off \$240,787 in uncollectible debts for costs they determined should not be charged to USDA programs.

Audits With Final Action: Management recovered \$6,768,829 and wrote off \$25,506,114 in uncollectible debts for costs contained in 81 audits which they determined should not be charged to USDA programs.

Audits Without Final Action: Of the audits without final action 1 year from the management decision date, 50 contain recommendations involving \$15,694,115 in disallowed costs. This report shows that two audits comprise \$5,353,000 or 34 percent of this amount, five audits have disallowed costs of less than \$1,000, and the remaining 43 comprise \$10,338,144 or 66 percent of the \$15,694,115 in disallowed costs. As a result of partial implementation of the recommendations contained in the 112 audits, management recovered \$627,095 in costs which should not have been charged to USDA programs.

Also included in the 492 audits are 47 audits either under appeal or a legislative solution is necessary to effect final action, involving \$14,909,739 in disallowed costs. The appeal and legislative processes preclude final action on these audits in their entirety.

FUNDS TO BE PUT TO BETTER USE

Audits From the Prior 6-Month Period: As of April 1, 1991, 70 of the 317 audits without final action contained recommendations that \$2,125,218,762 would be used more efficiently if the audit recommendations could be implemented. Although all the audit recommendations are not implemented in their entirety for these 70 audits, agencies implemented 36 percent of the recommendations, determining that \$244,167,424 could be used more efficiently.

Management Decisions Made During the 6-Month Period: Of the 175 audits with management decisions during this period, 31 audits have recommendations on which management agreed that \$299,076,995 could be used more efficiently.

Audits With Final Action: Of the 22 audits with recommendations that funds could be put to better use, management put \$13,767,596 to better use and determined that recommendations for \$27,447,298 could not be used efficiently.

Audits Without Final Action: Of the 112 audits without final action 1 year from the management decision date, 24 contain recommendations that \$1,765,344,609 would be used more efficiently if the recommendations could be implemented. Although these 24 audits are not implemented in their entirety, management completed final action on 23 recommendations, resulting in \$192,542,858 in funds they determined could be used more efficiently.

Also included in the 492 audits are 47 audits either under appeal or a legislative solution is necessary to effect final action, involving \$88,028,113 in funds to be put to better use. The appeal and legislative processes preclude final action on these audits in their entirety.

APPEALS AND LEGISLATIVE SOLUTIONS

This report also reflects those audits either under appeal or a legislative solution is necessary to effect final action. Of the 492 audits, 47 audits fall into these three categories. These 47 audits contain 250 recommendations involving \$14,909,739 in disallowed costs and \$88,028,113 in funds to be put to better use. Although the appeal and legislative processes preclude final action on these audits in their entirety, management completed action on 65 recommendations, recovering \$1,696,268 in disallowed costs which they determined should not be charged to USDA programs. Management put \$60,615,800 in funds to better use and determined that \$12,680,562 could not be used more efficiently.

DEFINITIONS

Questioned Cost. A cost OIG questions because of:

- an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;
- a finding that, at the time of the audit, the cost is not supported by adequate documentation; or
- a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Disallowed Cost. A questioned cost that management sustains or agrees is not chargeable to the government.

Funds To Be Put To Better Use. A recommendation by OIG that funds could be used more efficiently if management took actions to implement and complete the recommendation, including:

- reductions in outlays;
- deobligation of funds from programs or operations;
- withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds;
- costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor, or grantee;
- avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or
- any other savings which are specifically identified.

Management Decision. Management's evaluation of the audit findings and recommendations and the issuance of a final decision by management concerning its response to the findings and recommendations, including necessary actions.

Final Action. Final action means:

- the completion of all actions that management has concluded are necessary in its management decision with respect to the findings and recommendations included in an audit report; and
- in the event that management concludes no action is necessary, final action occurs when a management decision is made.

DEPARTMENT-WIDE STATISTICAL TABLES

STATUS OF AUDIT REPORTS

The table on the following page shows the status of 492 audits with management decisions for the period April 1, 1991, through September 30, 1991. Action is complete on 149 audits. As a result, management recovered \$6,768,829 in costs disclosed in recommendations contained in 81 audits and wrote off \$25,506,114 in uncollectible debts due to bankruptcies, excessive cost of collections, legal determinations, or terminations in program participation. Of the 22 audits with recommendations that funds could be used more efficiently, management put \$13,767,596 to better use and determined that \$27,447,298 could not be used efficiently.

Of the 492 audits, 317 are audits from the prior 6-month period and contain 2,470 recommendations which have not been implemented in their entirety. However, corrective action is complete on 1,491 recommendations, and management is in the process of finalizing action on the remaining 979 recommendations.

Of the 492 audits, 112 audits do not have final action on the entire audit 1 year from the management decision date. Many of the management decisions to effect corrective action on these audits involve complex automated system changes, long-term formal regulations and directives, legal implications, actions by non-USDA agencies, and time-consuming actions to implement the management decision. Of the 112 audits, management completed action on 40 recommendations, recovering \$627,095 in disallowed costs and put \$192,542,858 in funds to use more efficiently.

Included in the 492 audits are 47 audits either under appeal or a legislative solution is necessary to effect final action. Although the appeal and legislative processes preclude final action on these audits in their entirety, management completed action on 65 recommendations, recovering \$1,696,268 which they determined should not be charged to USDA programs. In addition, management put \$60,615,800 in funds to better use and determined that \$12,680,562 could not be used efficiently.

STATUS OF AUDIT REPORTS

Agency	Audits With Final Action		Audits Without Final Action Within 1 Year		Total Audits		Total Disallowed Costs		Total Funds To Be Put To Better Use	
	Number	Percent*	Number	Percent*	Number	Percent*	Dollars	Percent*	Dollars	Percent*
Office of the Secretary										
	0	0.0	0	0.0	1	0.2	0	0.0	371,465	0.0
Office of the General Counsel**										
	0	0.0	0	0.0	1	0.2	0	0.0	247,202	0.0
Under Secretary for International Affairs and Commodity Programs										
ASCS	19	12.7	11	9.8	64	13.0	25,858,653	31.9	1,179,656,414	48.7
FAS	1	0.7	1	0.9	4	0.8	0	0.0	6,219,645	0.2
OICD	0	0.0	2	1.8	2	0.4	0	0.0	0	0.0
Subtotal	20	13.4	14	12.5	70	14.2	25,858,653	31.9	1,185,876,059	48.9
Under Secretary for Small Community and Rural Development										
FmHA	18	12.1	25	22.3	80	16.3	26,509,560	32.8	630,782,959	26.0
FCIC	27	18.1	13	11.6	52	10.6	7,818,180	9.7	21,023,824	0.9
REA	0	0.0	2	1.8	2	0.4	0	0.0	1,500,000	0.1
Subtotal	45	30.2	40	35.7	134	27.3	34,327,740	42.5	653,306,783	27.0
Assistant Secretary for Food and Consumer Services										
FNS	48	32.3	35	31.3	168	34.1	14,002,886	17.3	467,335,052	19.3
Assistant Secretary for Marketing and Inspection Services										
FGIS	0	0.0	1	0.8	1	0.2	0	0.0	0	0.0
AMS	2	1.3	5	4.5	10	2.0	472,294	0.6	23,291,884	1.0
APHIS	7	4.6	4	3.6	13	2.7	492,455	0.6	18,524,023	0.8
FSIS	5	3.4	4	3.6	13	2.7	3,905,094	4.8	994,229	0.0
Subtotal	14	9.3	14	12.5	37	7.6	4,869,843	6.0	42,810,136	1.8
Assistant Secretary for Administration										
OFM	2	1.3	0	0.0	7	1.4	10,290	0.0	584,302	0.0
OO	2	1.3	0	0.0	2	0.4	0	0.0	0	0.0
OIRM	3	2.0	3	2.7	7	1.4	0	0.0	442,572	0.0
Subtotal	7	4.6	3	2.7	16	3.2	10,290	0.0	1,026,874	0.0
Assistant Secretary for Economics										
NASS	1	0.7	0	0.0	1	0.2	0	0.0	0	0.0
ERS	0	0.0	0	0.0	1	0.2	205	0.0	0	0.0
Subtotal	1	0.7	0	0.0	2	0.4	205	0.0	0	0.0
Assistant Secretary for Natural Resources and Environment										
FS	8	5.4	6	5.4	31	6.3	520,529	0.6	66,879,050	2.8
SCS	2	1.3	0	0.0	13	2.7	293,517	0.4	3,350,882	0.1
Subtotal	10	6.7	6	5.4	44	9.0	814,046	1.0	70,229,932	2.9
Assistant Secretary for Science and Education										
ARS	1	0.7	0	0.0	11	2.2	542,259	0.7	3,092,254	0.1
CSRS	3	2.0	0	0.0	3	0.6	308,719	0.4	0	0.0
ES	0	0.0	0	0.0	5	1.0	96,759	0.1	0	0.0
Subtotal	4	2.7	0	0.0	19	3.8	947,737	1.2	3,092,254	0.1
TOTAL	149	100.0	112	100.0	492	100.0	80,831,400	100.0	2,424,295,757	100.0

*Percentages Rounded

**This audit involved a SCS contract and is assigned to OGC for legal action.

AUDIT REPORT RECOMMENDATIONS

The table on the following page depicts the overall status of management's implementation of 3,533 audit recommendations contained in 492 audits. Of the 3,533 recommendations, 2,470 are a holdover from 317 audits from the prior 6-month period. However, corrective action is complete for 1,491 of the 2,470 recommendations and management is in the process of finalizing action on the remaining recommendations.

AUDIT REPORT RECOMMENDATIONS

Agency	Recommendations Carried Over From October 1, 1990— March 31, 1991 Report	Recommendations April 1, 1991— September 30, 1991 Report	Audit Recommendations Implemented	Audit Recommendations Pending Implementation
Office of the Secretary				
	0	3	0	3
Office of the General Counsel				
	0	1	0	1
Under Secretary for International Affairs and Commodity Programs				
ASCS	292	144	235	201
FAS	14	0	8	6
OICD	27	0	22	5
Subtotal	333	144	265	212
Under Secretary for Small Community and Rural Development				
FmHA	456	262	320	398
FCIC	332	20	223	129
REA	14	0	6	8
Subtotal	802	282	549	535
Assistant Secretary for Food and Consumer Services				
FNS	726	500	603	623
Assistant Secretary for Marketing and Inspection Services				
FGIS	2	0	0	2
AMS	91	20	60	51
APHIS	85	4	68	21
FSIS	67	16	40	43
Subtotal	245	40	168	117
Assistant Secretary for Administration				
OFM	48	14	22	40
OO	18	0	18	0
OIRM	119	0	80	39
Subtotal	185	14	120	79
Assistant Secretary for Economics				
NASS	0	1	1	0
ERS	1	0	0	1
Subtotal	1	1	1	1
Assistant Secretary for Natural Resources and Environment				
FS	140	39	57	122
SCS	14	12	8	18
Subtotal	154	51	65	140
Assistant Secretary for Science and Education				
ARS	2	11	2	11
CSRS	12	4	15	1
ES	10	12	10	12
Subtotal	24	27	27	24
TOTAL	2470	1,063	1,798	1,735

AUDITS WITH MANAGEMENT DECISIONS

The table on the following page shows a breakdown of the 492 agency audit reports with management decisions made prior to April 1, 1991, management decisions made during this period, and the total management decisions for the period. Of the 492 audits, 317 audits or 64 percent of the reports had management decisions with no final action as of March 31, 1991. However, corrective action was taken on 60 percent of these management decisions as of September 30, 1991. For the current 6-month period, management made decisions on 175 audits or 36 percent of the 492 reports.

AUDITS WITH MANAGEMENT DECISIONS

Agency	Audits With Management Decisions Carried Over From October 1, 1990— March 31, 1991 Report		Audits With Management Decisions April 1, 1991— September 30, 1991 Report		Total Audits	
	Number	Percent*	Number	Percent*	Number	Percent*
Office of the Secretary						
	0	0.0	1	0.6	1	0.2
Office of the General Counsel						
	0	0.0	1	0.6	1	0.2
Under Secretary for International Affairs and Commodity Programs						
ASCS	46	14.5	18	10.2	64	13.0
FAS	4	1.2	0	0.0	4	0.8
OICD	2	0.6	0	0.0	2	0.4
Subtotal	52	16.3	18	10.2	70	14.2
Under Secretary for Small Community and Rural Development						
FmHA	48	15.1	32	18.2	80	16.2
FCIC	50	15.7	2	1.2	52	10.6
REA	2	0.6	0	0.0	2	0.4
Subtotal	100	31.4	34	19.4	134	27.2
Assistant Secretary for Food and Consumer Services						
FNS	84	26.4	84	48.0	168	34.2
Assistant Secretary for Marketing and Inspection Services						
FGIS	1	0.3	0	0.0	1	0.2
AMS	8	2.5	2	1.2	10	2.0
APHIS	10	3.2	3	1.7	13	2.7
FSIS	9	2.8	4	2.2	13	2.7
Subtotal	28	8.8	9	5.1	37	7.6
Assistant Secretary for Administration						
OFM	5	1.6	2	1.2	7	1.4
OO	2	0.6	0	0.0	2	0.4
OIRM	7	2.2	0	0.0	7	1.4
Subtotal	14	4.4	2	1.2	16	3.2
Assistant Secretary for Economics						
ERS	1	0.3	0	0	1	0.2
NASS	0	0.0	1	0.6	1	0.2
Subtotal	1	0.3	1	0.6	2	0.4
Assistant Secretary for Natural Resources and Environment						
FS	23	7.3	8	4.6	31	6.3
SCS	10	3.1	3	1.7	13	2.6
Subtotal	33	10.4	11	6.3	44	8.9
Assistant Secretary for Science and Education						
ARS	2	0.6	9	5.1	11	2.3
CSRS	1	0.3	2	1.2	3	0.6
ES	2	0.6	3	1.7	5	1.0
Subtotal	5	1.5	14	8.0	19	3.9
TOTAL	317	100.0	175	100.0	492	100.0

*Percentages Rounded

**FINAL ACTION ON AUDITS WITH DISALLOWED COSTS AND
WITH FUNDS TO BE PUT TO BETTER USE
FOR THE 6-MONTH PERIOD ENDING SEPTEMBER 30, 1991**

The chart on the following page depicts the overall status of monetary audits for this reporting period. As of April 1, 1991, final action is in process but not complete on 179 audits with \$67,213,354 in disallowed costs and 70 audits with \$2,125,218,762 in funds which could be put to better use. Of the 179 audits with disallowed costs, management implemented 41 percent of the recommendations, recovering \$1,254,574 in costs which should not have been charged to USDA programs. Another \$208,518 in costs were written off as uncollectible debts due to bankruptcies, excessive cost of collections, legal determinations or terminations in program participation. Agencies also implemented 29 recommendations in 70 audits and put \$244,167,424 in funds to better use. Management decisions were made during the period on 95 audits with \$13,618,046 in disallowed costs and 31 audits with \$299,076,995 in funds which could be put to better use. Management implemented all audit recommendations for 81 audits, recovering \$6,768,829 in costs that should not be charged to USDA programs, and writing off \$25,506,114 in uncollectible debts. Additionally, \$13,767,596 in funds contained in 22 audits were put to better use. Recommendations for \$27,447,298 were not put to better use, mainly due to either statutory or mandatory requirements.

**Final Action on Audits With Disallowed
Costs and With Funds To Be Put To Better Use
For the 6-Month Period Ending September 30, 1991**

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	179 ¹	67,213,354 ¹	70	2,125,218,762
B. Management decisions made during the period	95	13,618,046 ²	31	299,076,995
C. Total (A + B)	274	80,831,400	101	2,424,295,757
D. Final action taken during the period	81	33,810,195 ³	22	41,139,183 ⁵
1. Recoveries				
(a) Collections		5,625,226		
(b) Other		1,143,603		
2. Writeoffs		25,506,114		
3. Total (1 + 2)		32,274,943 ⁴		
4. Recommendations completed				13,767,596
5. Recommendations not implemented or completed				27,447,298
6. Total (4 + 5)				40,307,894
E. Total reports needing final action at the end of the period	193	47,021,205	79	2,383,156,574

¹This was increased by two audits and \$5,697, and decreased by \$1,488,960 for one audit with final action omitted inadvertently from the October 1, 1990 - March 31, 1991, report.

²The amount excludes \$1,230,361 contained in OIG's Semiannual Report for this period because the OIG audits did not recommend recovery of the funds.

³This amount was decreased by \$2,485,163 as a result of documentation to support the costs, \$361,305 resulting from appeals, \$167,266 resulting from changes in the management decision, and \$999,437 resulting from changes in questioned costs.

⁴The Agencies collected \$1,534,772 in disallowed costs not contained in audit recommendations.

⁵This was reduced by \$890,085 and increased by \$3,711 due to contracting officers' decisions and \$275,000 resulting from an appeal.

**MONETARY AUDITS NEEDING FINAL ACTION
AT THE END OF THE 6-MONTH PERIOD**

The table on the following page shows the number of audit reports where final action is in process but not complete. The table shows the amount of disallowed costs and funds to be put to better use.

MONETARY AUDITS NEEDING FINAL ACTION AT THE END OF THE 6-MONTH PERIOD

Agency	Number of Audits With Disallowed Costs	Disallowed Costs (Dollars)	Number of Audits With Funds To Be Put To Better Use	Funds To Be Put To Better Use (Dollars)
--------	--	----------------------------------	---	--

Office of the Secretary

	0	0	1	371,465
--	---	---	---	---------

Office of the General Counsel

	0	0	1	247,202
--	---	---	---	---------

Under Secretary for International Affairs and Commodity Programs

ASCS	34	12,676,687	14	1,152,910,137
FAS	0	0	1	6,219,645
Subtotal	34	12,676,687	15	1,159,129,782

Under Secretary for Small Community and Rural Development

FmHA	28	10,712,767	16	630,320,476
FCIC	18	6,354,778	5	20,094,070
REA	0	0	1	1,500,000
Subtotal	46	17,067,545	22	651,914,546

Assistant Secretary for Food and Consumer Services

FNS	93	11,033,697	12	456,234,196
-----	----	------------	----	-------------

Assistant Secretary for Marketing and Inspection Services

AMS	2	472,294	1	23,291,884
APHIS	3	492,455	3	18,311,236
FSIS	3	3,902,368	1	994,229
Subtotal	8	4,867,117	5	42,597,349

Assistant Secretary for Administration

OFM	1	10,290	1	584,302
OIRM	0	0	1	442,572
Subtotal	1	10,290	2	1,026,874

Assistant Secretary for Economics

ERS	1	205	0	0
-----	---	-----	---	---

Assistant Secretary for Natural Resources and Environment

FS	5	433,129	9	65,497,811
SCS	2	293,517	6	3,045,095
Subtotal	7	726,646	15	68,542,906

Assistant Secretary for Science and Education

ARS	2	542,259	6	3,092,254
ES	1	96,759	0	0
Subtotal	3	639,018	6	3,092,254

TOTAL	193	47,021,205	79	2,383,156,574
--------------	------------	-------------------	-----------	----------------------

AUDITS UNDER APPEAL OR LEGISLATIVE SOLUTION

The table on the following page reflects 47 audits either under appeal or a legislative solution is necessary to effect final action. These 47 audits contain 250 recommendations involving \$14,909,739 in disallowed costs and \$88,028,113 in funds to be put to better use. Although the appeal and legislative processes preclude final action on these audits in their entirety, management completed action on 65 recommendations, recovering \$1,696,268 which they determined should not be charged to USDA programs. In addition, management put \$60,615,800 to better use and determined that \$12,680,562 could not be used more efficiently.

AUDITS UNDER APPEAL OR LEGISLATIVE SOLUTION

Agency	Administrative Appeal	Judicial Appeal	Legislative Solution	Disallowed* Costs (Dollars)	Funds To** Be Put To Better Use (Dollars)
ASCS	13	2	0	5,857,993	1,724,552
FmHA	3	0	2	777,062	69,385,800
FCIC	8	4	0	5,877,579	12,925,056
FS	5	1	0	386,232	1,505,325
SCS	5	1	0	291,235	2,487,380
FNS	1	2	0	1,719,638	0
TOTAL	35	10	2	14,909,739	88,028,113

*Management has completed action to recover \$1,696,268 in costs which should not have been charged to USDA programs.

**Management has put \$60,615,800 in funds to better use and determined that \$12,680,562 could not be used more efficiently.

**AGENCY AUDITS WITHOUT FINAL ACTION 1 YEAR
FROM THE MANAGEMENT DECISION DATE**

**AGENCY AUDITS WITHOUT FINAL ACTION 1 YEAR FROM THE
MANAGEMENT DECISION DATE**

Agencies did not complete corrective action within 1 year on 112 audits. The 69 audits indicated with an asterisk (*) were in the report for the period October 1, 1990, through March 30, 1991. Some audits contain multiple recommendations affecting the completion of final action. These include complex system changes, collection activities, development and implementation of regulations or directives, legal implications, investigations, actions by other than USDA Agencies, and time-consuming corrective action to implement the management decisions. Of the 112 audits, management implemented 40 recommendations, recovering \$627,095 and implementing \$192,542,858 in funds they determined could be used more efficiently.

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put to Better Use (Dollars)
AMS	1/5/88	1. South Florida Lime and Avocado Administrative Committees, Report #01031-43-AT*.	0	0
	3/9/89	2. Cotton Research and Promotion Program, Report #01045-4-AT*.	380,101	0
	8/9/89	3. Federal Inspection Under the Egg Products Inspection Act, Report #01061-11-AT*.	0	0
	1/18/90	4. Non-Auction Tobacco Sales, Report #01099-19-AT*.	0	0
	6/9/89	5. National Dairy Promotion Program Funds, Report #01099-24-HY.	92,193	0
ASCS	3/30/90	6. Controls in the Check Accounting System, Kansas City Management Office, Report #03091-330-FM.	0	0
	1/12/90	7. 1988 Disaster Program in Michigan, Report #03099-81-CH.	757,372	0
		Subtotal	1,229,666	0

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put to Better Use (Dollars)
		Previous Subtotal	1,229,666	0
ASCS (Con't)	7/14/88	8. Audit of the Conservation Reserve Program \$50,000 Payment Limitation in Colorado, Report #03099-114-KC.	328,799	1,917,409
	5/17/89	9. Payment Limitation Program, Report #03099-128-AT.	137,944	0
	8/25/89	10. Emergency Conservation Program and Emergency Feed Program Claims in Caddo Parish, Louisiana, Report #03099-137-TE*.	9,767	3,750
	11/7/89	11. County Operations Review Program in Montana, Report #03600-3-KC.	841	0
	5/24/89	12. Maximum Payment Limitation Provisions for 1987 in Arkansas, Report #03600-3-TE*.	692,622	50,000
	10/19/89	13. Maximum Payment Limitation Provisions for 1987 in Texas, Report #03600-4-TE.	688,596	0
	9/30/88	14. Evaluation of Security and Repayment of Commodity Loans, Report #03640-2-CH*.	0	975,731,031
	4/20/89	15. Audit of Large Payments for 1986, R.C. Farming Partnership, Fresno County, California, Report #03645-11-SF*.	825,096	0
		Subtotal	3,913,331	977,702,190

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put to Better Use (Dollars)
		Previous Subtotal	3,913,331	977,702,190
ASCS (Con't)	6/2/89	16. Audit of Large Payments for 1986 La Reata Farms, Report #03645-17-TE.	938,435	27,232
FmHA	8/10/88	17. Implementation of the Office of Management and Budget's Nine Point Credit Management Program, Report #04006-2-AT*.	0	0
	1/2/90	18. County Office Review, Willows, California, Report #04012-1-SF*.	0	0
	6/28/89	19. Audit of Ellis, Rush, Russell, and Trego County Office Operations, Hays, Kansas, Report #04012-380-KC*.	54,497	0
	12/28/88	20. Survey of FmHA Housing Preservation Grant Program, Report #04099-69-SF*.	0	0
	4/9/90	21. Referral of Borrower Cases for Investigation, Fiscal Years 1987 and 1988, Report #04099-100-KC.	0	0
	6/11/87	22. Survey of FmHA Debt Management of Defaults on Guaranteed Loans, Report #04099-118-TE*.	0	0
	5/22/89	23. Interest Accrual on Guaranteed Loans Delinquent Over 90 Days, Report #04099-143-TE*.	0	8,378,513
		Subtotal	4,906,263	986,107,935

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put to Better Use (Dollars)
		Previous Subtotal	4,906,263	986,107,935
FmHA (Con't)	4/24/89	24. Guadalupe Economic Services Corporation, Housing Preservation Grant, Report #04099-145-TE*.	133,360	0
	9/30/86	25. Labor Housing Program, Report #04099-198-AT*.	0	0
	7/31/89	26. Compliance with Promptness Standards for Loan Approval and Appeal Actions, Report #04099-282-AT*.	0	0
	8/16/89	27. Rural Housing Loans on Manufactured Homes, Report #04099-284-AT*.	0	0
	5/31/90	28. Rural Housing Graduation Pilot Project in Washington, D.C., Report #04099-297-AT.	0	0
	8/17/89	29. Rural Rental Housing Program Compliance, Report #04600-1-SF*.	0	0
	12/26/89	30. 1988 Drought Emergency Loss Loans in Texas, Report #04600-2-TE*.	38,750	0
	12/5/89	31. Rural Area Eligibility Designations in Washington, D.C., Report #04600-4-AT.	0	0
	1/26/90	32. Labor Housing Loan Program in Washington, D.C., Report #04600-6-AT.	0	0
		Subtotal	5,078,373	986,107,935

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put to Better Use (Dollars)
		Previous Subtotal	5,078,373	986,107,935
FmHA (Con't)	3/29/90	33. Guaranteed Loan Interest Rate Buydown Program, Washington, D.C., Report #04600-7-AT.	0	0
	5/3/90	34. Emergency Loss Loan Program, Washington, D.C., Report #04600-9-AT.	0	0
	7/16/85	35. Nation-wide Audit of County Office Operations, Report #04642-1-TE*.	0	0
	3/10/89	36. Cash and Debt Management Activities, Report #04663-2-CH*.	0	59,900,000
	9/29/88	37. Farmer Program Guaranteed Loans Need Improvement, Report #04665-2-TE*.	0	483,405,395
	9/29/89	38. Nation-wide Review of Selected Program Areas, Report #04669-2-FM*.	0	1,597,300
	9/7/89	39. FmHA Debt Restructuring for Delinquent Borrowers - Processing of Borrower Applications, Report #04673-5-SF.	0	0
	5/17/89	40. Unauthorized Use of FmHA Inventory Farm Property, Report #50099-20-AT*.	498,612	0
		Subtotal	5,576,985	1,531,010,630

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put to Better Use (Dollars)
		Previous Subtotal	5,576,985	1,531,010,630
FmHA (Con't)	3/31/87	41. Oversight of Program Operations Through the Use of Certified Public Accountants, Report #50659-4-CH*.	0	0
FCIC	3/31/88	42. Audit of FCIC Reinsurance Operations - Mississippi, Report #05099-11-AT*.	822,104	12,680,562
	10/13/89	43. FCIC Crop Insurance Contracts for Crop Year 1988, Contract No. 22-129-53282, Adjusted by American Agrisurance, Report #05099-20-CH.	0	0
	1/11/90	44. FCIC Crop Insurance Contracts for Crop Year 1988, Contract No. 17-141-25899, Adjusted by FCIC, Report #05099-33-CH.	108	0
	8/24/89	45. Audit of 1988 Wheat Contract No. 33-017-50709-FO for Cass County, North Dakota, Dawson Hail Insurance Company, Report #05099-34-KC*.	328	0
	3/30/90	46. Audit of Reinsurance Accounting System, Kansas City, Missouri, Report #05099-35-FM.	0	0
		Subtotal	6,399,525	1,543,691,192

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put to Better Use (Dollars)
		Previous Subtotal	6,399,525	1,543,691,192
FCIC (Con't)	8/23/89	47. Audit of 1988 Wheat Contract No. 33-000-51064-FO for McLean County, North Dakota, Dawson Hail Insurance Company, Report #05099-35-KC*.	524	0
	8/4/89	48. Audit of Wheat Contract No. 30-051-37260 for Liberty County, Montana, Longview Crop Insurance Agency, Inc., Report #05099-37-KC*.	0	0
	12/27/89	49. FCIC Crop Insurance Contracts for Crop Year 1988, Contract No. 13-111-80211, Adjusted by American Agrisurance, Report #05099-39-CH.	0	0
	9/25/89	50. 1988 Crop Year Soybean Contract No. 13-041-00553 in Fayette County, Indiana, Report #05099-43-TE.	1,797	0
	7/14/89	51. Audit of 1988 Wheat Contract No. 25-416-05035 for Liberty County, Montana, Crop Hail Management, Report #05099-53-KC*.	0	0
	9/29/89	52. Audit of 1988 Corn Contract No. 14-836-031630 for Cerro Gordo County, Iowa, National Ag Underwriters, Inc., Report #05099-63-KC*.	456	0
		Subtotal	6,402,302	1,543,691,192

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put to Better Use (Dollars)
		Previous Subtotal	6,402,302	1,543,691,192
FCIC (Con't)	8/31/89	53. Audit of 1988 Corn Contract No. 051107 for Buchanan County, Iowa, Great American Insurance Companies, Report #05099-68-KC.	1,611	0
	9/29/89	54. Audit of 1988 Crop Insurance Contracts with Claims, Report #05600-1-TE.	0	0
FAS	9/28/90	55. Targeted Export Assistance Program Participant Contributions, Report #07020-2-HY.	0	0
FS	9/28/89	56. Automated Purchase Order System Internal Controls, Report #08099-11-FM*.	0	0
	7/7/88	57. Followup Review of FS Corrective Actions on Prior Audit of Yearend Procurement Activity, Report #08099-27-AT*.	0	0
	9/26/89	58. Monitoring of Deficit Unobligated Balances, Report #08099-34-AT*.	0	23,980,799
	9/28/89	59. Administration of Timber Sale Operations, Pacific Northwest Region, Portland, Oregon, Report #08099-95-SF*.	0	0
		Subtotal	6,403,913	1,567,671,991

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put to Better Use (Dollars)
		Previous Subtotal	6,403,913	1,567,671,991
FS (Con't)	7/10/89	60. Audit of Termination Proposal Settlement Submitted by James M. Ellett Construction Company, Report #08545-42-SF*.	0	402,495
	1/24/86	61. Timber Sales Management - Timber Appraisals, Report #08627-3-SF*.	0	0
REA	9/29/89	62. Operations of the Montezuma Mutual Telephone Company, Report #09099-7-CH*.	0	0
	3/31/87	63. Oversight of Program Operations Through the Use of Certified Public Accountants, Report #50659-3-CH*.	0	1,500,000
FSIS	3/29/89	64. Followup Audit of the Imported Meat Process, Report #24002-4-HY*.	0	0
	5/9/89	65. Audit of Indirect Cost Proposals for the 2 years Ended June 30, 1987, for the State of West Virginia Department of Agriculture, Report #24092-23-HY*.	2,522,280	0
	2/5/87	66. Exporting Procedures, Report #24097-1-AT*.	0	0
	11/17/88	67. Monitoring and Controlling Pesticide Residues in Domestic Meat and Poultry Products, Report #24609-1-AT*.	0	0
		Subtotal	8,926,193	1,569,574,486

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put to Better Use (Dollars)
		Previous Subtotal	8,926,193	1,569,574,486
FNS	3/3/88	68. Food Distribution Program Commodity Inventory Accountability, Report #27002-7-NY*.	0	0
	3/30/90	69. Implementation of the Income and Eligibility Verification System in the Food Stamp Program, Report #27013-45-TE.	0	0
	7/12/89	70. Food Stamp Program Case File Documentation in Florida, Report #27013-60-AT*.	65,898	5,405,579
	3/30/90	71. Computer Matching of Food Stamp Participation Records in Colorado with Federal Personnel Records, Report #27019-1-KC.	41,877	21,570
	2/8/90	72. Food Stamp Program Computer Matching, San Francisco County, California, Report #27019-30-SF.	15,810	0
	3/6/90	73. Food Stamp Program Computer Matching, Seattle, Washington, Report #27019-31-SF.	0	0
	9/29/89	74. Redemption Accountability Pilot, Report #27019-38-HY*.	0	0
		Subtotal	9,049,778	1,575,001,635

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put to Better Use (Dollars)
		Previous Subtotal	9,049,778	1,575,001,635
FNS (Con't)	10/18/89	75. Computer Matching of Food Stamp Participation Records with Federal Personnel Records Detected Overissuances, Report #27019-41-TE*.	145,655	30,132
	3/30/90	76. Food Stamp Program Recipient Abuse in Michigan, Report #27019-60-CH.	53,371	0
	3/30/90	77. Food Stamp Program Recipient Abuse in Minnesota, Report #27019-62-CH*.	7,834	0
	8/26/88	78. Food Services Operations, Department of Education, Government of Guam, Report #27022-41-SF*.	529,379	0
	12/20/89	79. National School Lunch Program and Commodity Distribution Program in Carlsbad Municipal School District, Report #27023-253-TE.	78,738	0
	3/8/89	80. Child Care Food Program - Family Day Care Home Operations, Quad Area, Community Action Agency, Hammond, Louisiana, Report #27025-30-TE*.	110,066	0
	3/30/89	81. Child Care Food Program - Whispering Wonders Pre-School, Report #27029-175-HY*.	3,868	0
		Subtotal	9,978,689	1,575,031,767

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put to Better Use (Dollars)
		Previous Subtotal	9,978,689	1,575,031,767
FNS (Con't)	3/31/89	82. Child Care Food Program - Bethany Christian School, Report #27029-193-HY*.	16,802	0
	3/29/90	83. Child Care Food Program - Bushwick Community Action Association, Inc., Report #27029-293-HY.	49,330	0
	3/28/90	84. Child Care Food Program - Hempstead After School, Report #27029-300-HY.	6,808	0
	3/28/90	85. Child Care Food Program - Putnam Child Development Center, Report #27029-305-HY.	29,734	0
	10/1/87	86. 1986 Child Care Food Program - Boys Harbor, Inc., Report #27029-961-NY*.	183,174	0
	12/12/88	87. 1987 Child Care Food Program - Boys Harbor, Inc., Report #27029-1055-NY*.	63,170	0
	8/18/89	88. Tennessee Department of Health and Environment - Special Supplemental Food Program for Women, Infants, and Children - Administrative Costs, Nashville, Tennessee, Report #27031-19-AT*.	727,372	320,888
		Subtotal	11,055,079	1,575,352,655

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put to Better Use (Dollars)
		Previous Subtotal	11,055,079	1,575,352,655
FNS (Con't)	6/26/90	89. Georgia Department of Human Resources - Special Supplemental Food Program for Women, Infants, and Children - Administrative Costs, Report #27031-21-AT.	323,732	14,549
	1/24/90	90. Alabama Department of Public Health - Special Supplemental Food Program for Women, Infants, and Children - Administrative Costs, Report #27031-22-AT.	2,831,384	1,132,553
	7/31/87	91. Nutrition Assistance Program Block Grant, San Juan, Puerto Rico, Report #27080-3-NY*.	298,370	0
	6/20/89	92. Contracting of Food Service Management Companies in the National School Lunch Program, Report #27099-25-SF*.	0	0
	3/30/90	93. Food Distribution and National Commodity Processing Programs by Preferred Meal Systems, Inc., Report #27099-77-CH.	228,169	0
	3/15/89	94. Yield Shortage at Better Baked Foods, Inc., Report #27099-79-CH*.	162,989	0
		Subtotal	14,899,723	1,576,499,757

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put to Better Use (Dollars)
		Previous Subtotal	14,899,723	1,576,499,757
FNS (Con't)	3/30/90	95. Food Stamp Program - Administrative Costs - Nationwide, Report #27600-2-SF.	0	0
	6/15/88	96. Special Supplemental Food Program for Women, Infants, and Children - Vendor Monitoring and Food Instrument Delivery Systems, Report #27661-2-CH*.	0	0
	7/12/88	97. Food Stamp Program Case File Documentation, Report #27662-2-AT*.	0	170,091,044
	1/26/88	98. Audit Report on the Government of Guam for the Fiscal Year Ended September 30, 1985, Report #50568-91-SF.	171,902	0
	1/9/90	99. Audit of the State of Tennessee for the Fiscal Year Ended June 30, 1988, Report #50568-166-AT.	0	0
	8/25/89	100. Audit Report on the State of Washington for the Fiscal Year Ended June 30, 1988, Report #50568-309-SF*.	0	0
	12/7/89	101. Audit Report on the Hawaii Department of Labor and Industrial Relations for the Fiscal Year Ended June 30, 1988, Report #50568-328-SF.	0	0
		Subtotal	15,071,625	1,746,590,801

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put to Better Use (Dollars)
		Previous Subtotal	15,071,625	1,746,590,801
FNS (Con't)	4/25/90	102. Audit Report on the Trust Territory of the Pacific Islands for the Fiscal Year Ended June 30, 1986, Report #50568-332-SF.	130,075	0
FGIS	8/30/88	103. Grain Inspection Processes and Procedures, Report #31008-2-HY*.	0	0
APHIS	6/30/88	104. Mexico/United States Screwworm Eradication Program, Washington, D.C., Report #33615-2-HY*.	481,584	18,208,650
	11/9/87	105. South Dakota Department of Agriculture, Report #50566-8-KC*.	5,855	0
	7/28/88	106. Missouri Department of Agriculture, Report #50566-9-KC*.	0	91,540
	10/8/87	107. Kansas Animal Health Department, Report #50567-5-KC*.	5,016	11,046
OICD	9/29/89	108. Office of International Cooperation and Development International Training Division, Report #44010-3-HY*.	0	0
	7/13/90	109. Audit of the Office of International Cooperation and Development Financial Management System, Report #44060-1-HY.	0	0
		Subtotal	15,694,155	1,764,902,037

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put to Better Use (Dollars)
		Previous Subtotal	15,694,155	1,764,902,037
OIRM	3/28/90	110. Security and Control of the Honeywell Mainframe Computer, National Computer Center at Kansas City, Kansas, Report #58099-17-FM.	0	442,572
	3/12/90	111. Tape Library Management Controls, National Computer Center at Kansas City, Kansas, Report #58099-18-FM.	0	0
	3/23/87	112. Automated Data Processing Maintenance Agreements Within the Department of Agriculture, Report #50555-1-HY*.	0	0
		Total	15,694,155	1,765,344,609

**EXPLANATIONS OF AGENCY AUDITS WITHOUT
FINAL ACTION 1 YEAR FROM THE MANAGEMENT
DECISION DATE**

**EXPLANATIONS OF AGENCY AUDITS WITHOUT FINAL ACTION 1 YEAR
FROM THE MANAGEMENT DECISION DATE**

1. **South Florida Lime and Avocado Administrative Committees, Issued January 5, 1988, Report #01031-43-AT*.**

The audit recommended that AMS require the reporting of individual assessment rebates totaling \$600 or more to IRS. In March 1991, IRS ruled that the Cattlemen's Beef Promotion and Research Board was not required to issue Form 1099 concerning reporting payments of refunds of individual producer assessments. OGC is attempting to ascertain from IRS whether the same reasoning applies to the South Florida Lime and Avocado Programs.

2. **Cotton Research and Promotion Program, Issued March 9, 1989, Report #01045-4-AT*.**

The audit recommended that AMS determine the collectibility of \$380,101 in assessments, penalties, and interest. The Cotton Board recovered \$170,170 and classified \$188,727 as uncollectible. A proof of claim was filed and is pending a determination by the U. S. Bankruptcy Court for the Southern District of Texas.

3. **Federal Inspection Under the Egg Products Inspection Act, Issued August 9, 1989, Report #01061-11-AT*.**

The audit recommended that AMS implement management controls for prompt resolution of future review recommendations. AMS implemented informal procedures to monitor, track, document, and followup on weaknesses identified in review reports. Policy statements and directives to formalize the process are scheduled to be complete in FY 1992.

4. **Non-Auction Tobacco Sales, Issued January 18, 1990, Report #01099-19-AT*.**

The audit recommended that AMS:

- use the system developed with ASCS to identify flue-cured tobacco warehouses that exceeded their 1988 and 1989 sales limitation; and
- reduce sales opportunities accordingly.

AMS reviewed the warehouses and identified several that appeared to have exceeded their sales limitations. AMS proposed a pilot enforcement action which OGC reviewed during FY 1991. Enforcement action will begin in early FY 1992 and be completed prior to the 1993 crop year.

5. National Dairy Promotion Program Funds, Issued June 9, 1989, Report #01099-24-HY.

The audit recommended that AMS:

- provide written guidelines for remitting assessment funds and standardize procedures for determining pounds of milk produced; and
- provide instructions on maintaining source documents for a specified period of time.

The audit was in judicial appeal, and the appeal was denied. OGC referred this case to the U.S. Attorney's office for legal action which is delaying final action.

6. Controls in the Check Accounting System, Kansas City Management Office, Issued March 30, 1990, Report #03091-330-FM.

The audit recommended that ASCS modify the State and County Office Automation Project software so that the Check Accounting System makes all accounting entries to the Financial Management System for both automated and nonautomated programs. The implementation of a new mainframe computer system is delaying final action.

7. 1988 Disaster Program in Michigan, Issued January 12, 1990, Report #03099-81-CH.

The audit recommended that ASCS:

- require the CO's to recalculate and correct payments made to producers based on the revised payment yields and rates developed by the State Office (SO) in response to recommendations reported;
- implement a second-party review of the calculation of nonprogram crop payment yields and rates established by the SO for disaster assistance payments;
- recover disaster program overpayments in the three counties audited and disburse additional funds to correct underpayments to producers;
- instruct the County Executive Directors to recalculate all disaster program payments to producers on farms not reviewed during the audit and make any necessary adjustments in the payments;
- direct the applicable CO's to collect the disaster program payments from producers identified as ineligible to participate in the program; and

- instruct all CO's to adjust disaster payments made to producers to reflect changes in the crop table and correct overpayments or underpayments, as necessary.

Collection of the disallowed costs is delaying final action.

8. Audit of the Conservation Reserve Program \$50,000 Payment Limitation in Colorado, Issued July 14, 1988, Report #03099-114-KC.

The audit recommended that the SO provide instructions to the County Committees on specific corrective action to be taken to correct the cases cited with improper "person" determinations, including collection of overpayments. Collection of the disallowed costs is delaying final action.

9. ASCS Payment Limitation Program, Issued May 17, 1989, Report #03099-128-AT.

The audit recommended that ASCS reduce the number of "persons" for the cited farm operation to one and recover overpayments disbursed during the 1986, 1987, and 1988 crop years. Final action is delayed due to earlier judicial action and time-consuming verification of claims.

10. Emergency Conservation Program and Emergency Feed Program Claims in Caddo Parish, Louisiana, Issued August 25, 1989, Report #03099-137-TE*.

The audit recommended that ASCS:

- instruct the Caddo Parish County Committee to obtain a refund of the ECP payments; and
- review the facts presented and require the Committee to recover emergency feed program payments made to the producer.

Final action is delayed pending the results of legal action filed by the producer against the Secretary of Agriculture.

11. County Operations Review Program in Montana, Issued November 7, 1989, Report #03600-3-KC.

The audit recommended that ASCS:

- develop and implement controls to assure that Corrective Action Plans be compared to the applicable reports and require third-party certification;

- review travel claims submitted by the reviewer, identify instances where travel was reimbursed improperly, and collect the funds; and
- compare the reviewer's time and attendance reports to the travel claims submitted and identify and record instances where official duty hours were not used for official purposes.

Final action is delayed due to the time-consuming process to gather the necessary documentation. ASCS expects to complete action in early FY 1992.

12. Maximum Payment Limitation Provisions for 1987 in Arkansas, Issued May 24, 1989, Report #03600-3-TE*.

The audit recommended that ASCS:

- limit partnership to one "person" and collect the excess 1987 program payments; and
- collect the excess 1987 crop year payment due to improper capitalization, improper financing, and violation of custom farming rules.

The audit was in appeal, and the appeal was denied. The lengthy and complex nature of the collection process is delaying final action.

13. Maximum Payment Limitation Provisions for 1987 in Texas, Issued October 19, 1989, Report #03600-4-TE.

The audit recommended that ASCS:

- instruct the Culberson, Moore, and Zavala County Committees to review the facts and collect the excess 1987 crop payments; and
- instruct the Zavala County Committee to review 1988 operations for Partner 5 and recover any overpayments indicated by the review.

The audit was in administrative appeal which was denied. Collection of the disallowed costs is delaying final action.

14. Evaluation of Security and Repayment of Commodity Loans, Issued September 30, 1988, Report #03640-2-CH*.

The audit recommended that ASCS develop and implement procedures to debar or suspend ASCS program participants in accordance with the Department's Nonprocurement Debarment and Suspension Regulation. Legal and management decisions regarding statutory entitlements are delaying final action on procedures to debar or suspend program participants.

15. Audit of Large Payments for 1986, R.C. Farming Partnership, Fresno County, California, Issued April 20, 1989, Report #03645-11-SF*.

This audit recommended that ASCS:

- obtain repayment of \$825,096 from R.C. Farming Partnership (R.C.);
- review R.C.'s operations for subsequent years to determine whether the conditions noted in the audit continue; and
- recover any resulting overpayments.

The entities reviewed during the audit are under active OIG investigation. No action can be taken until OIG completes the investigation.

16. Audit of Large Payments for 1986 La Reata Farms, Issued June 2, 1989, Report #03645-17-TE.

The audit recommended that ASCS:

- direct the County Committee to review all facts;
- confirm that La Reata engaged in a scheme or device to circumvent the payment limitation; and
- recover \$983,188.63 and not repay \$27,231.89.

Final action is delayed due to an OIG investigation, and the producer filing an administrative appeal. The appeal process was denied formally in June 1991 and the agency is collecting the disallowed costs.

17. Implementation of the Office of Management and Budget's Nine Point Credit Management Program, Issued August 10, 1988, Report #04006-2-AT*.

The audit recommended that FmHA:

- report delinquent commercial and consumer debts to credit bureaus;
- match delinquent borrowers with Federal employment files and develop an automated system for cases referred to DOJ;
- revise writeoff regulations and instructions;
- establish controls to monitor field office debt settlement determinations; and
- maintain subsidiary accounts on debt for future collection actions.

FmHA reports all Farmer Program, Multifamily Housing, and Delinquent Single Family Housing debts to credit bureaus. All active and inactive borrowers are included in the Salary Offset computer match with the Department of Defense and U.S. Postal Service. Co-borrowers will be included in the match effort when the systems development project is completed to include co-borrower data in the accounting system. DOJ implemented the automated "Central Intake Facility (CIF)," and OGC refers cases through the CIF. FmHA plans to develop an automated system to track referral of cases to DOJ. The Agricultural Credit Act of 1987 required the Agency to extend a wide variety of servicing options to delinquent Farmer Program borrowers. This and other program related changes mandated by Congress are delaying final action.

18. County Office Review, Willows, California, Issued January 2, 1990, Report #04012-1-SF*.

The audit recommended that FmHA provide training to assure mineral rights are considered and documented for appraisals performed on FmHA real estate property. FmHA monitors the successful completion of mineral appraisals during Farmer Program real estate appraisal reviews and stresses the importance of well documented mineral appraisals during Farmer Program real estate appraisal training for new Assistant County Supervisors. Insufficient travel allocations to conduct an intense general appraisal training session are delaying final action.

19. Audit of Ellis, Rush, Russell, and Trego County Office Operations, Hays, Kansas, Issued June 28, 1989, Report #04012-380-KC*.

The audit recommended that FmHA require the CO's to obtain current financial and equity information from Borrowers B and C and provide this information to the bank through a trial referral to determine graduation potential. The borrowers' inability to graduate to other credit is delaying final action.

20. Survey of FmHA Housing Preservation Grant Program, Issued December 28, 1988, Report #04099-69-SF*.

The audit recommended that FmHA:

- issue instructions to ensure grantees are aware of the necessity to prepare Financial Status Reports that reconcile with their accounting records;
- complete all repair projects prior to closing out the grant agreement; and
- certify that final building inspection reports are reviewed and filed prior to submission of the final quarterly progress reports.

The revised regulation to incorporate the audit recommendations is in clearance. The regulation is delayed due to its low priority. FmHA expects publication in FY 1992.

21. Referral of Borrower Cases for Investigation, Fiscal Years 1987 and 1988, Issued April 9, 1990, Report #04099-100-KC.

The audit recommended that FmHA:

- revise its instructions to emphasize how FmHA personnel can more readily recognize possible illegal activity and, upon establishment of probable cause, to refer suspected acts of wrongdoing to OIG Investigations;
- require borrower notification of suspected wrongdoing; and
- specify that FmHA employees shall not convey or imply post-approval of unauthorized dispositions of security property.

In March 1990, FmHA advised field offices of actions to take when evidence exists that a borrower converted a substantial amount of FmHA security property and requested Net Recovery Buy Out (NRB). The FACT Act provides authority to deny

restructuring benefits to those borrowers who have not acted in good faith. In November 1990, FmHA further informed its field offices of the changes to FmHA's loan servicing authorities brought about by the FACT Act. FmHA anticipates publishing proposed rules in December 1991.

22. Survey of FmHA Debt Management of Defaults on Guaranteed Loans, Issued June 11, 1987, Report #04099-118-TE*.

The audit recommended that FmHA modify Instruction 1980-A to include procedures to monitor the recovery and collection actions of lenders subsequent to payment of loan guarantee loss claims. Enactment of the FACT Act necessitates further changes to the Instruction. This is delaying final action. FmHA expects to complete action in early 1992.

23. Interest Accrual on Guaranteed Loans Delinquent Over 90 Days, Issued May 22, 1989, Report #04099-143-TE*.

The audit recommended that FmHA amend its regulations and lender agreements to require estimated loss reports for guaranteed loans if the liquidation period exceeds 90 days. OIG and FmHA continue to negotiate regulation and lender agreement issues with the secondary market. This is delaying final action.

24. Guadalupe Economic Services Corporation Housing Preservation Grant, Issued April 24, 1989, Report #04099-145-TE*.

The audit recommended that FmHA terminate the grant for poor performance and for failure to account for funds and interest earned on advances. FmHA declined to terminate the grant, and OIG agreed with the decision. FmHA and the grantee are renegotiating the repayment schedule which is delaying final action.

25. Labor Housing Program, Issued September 30, 1986, Report #04099-198-AT*.

The audit recommended that FmHA:

- emphasize that no rental income be received from tenants in single family-type labor housing when loan agreements are waived;
- require borrowers to account for rental income;
- require borrowers to execute loan agreements if they collect rent and establish the necessary accounts; and

- advise borrowers that violations could result in loan foreclosure.

The revised regulation to incorporate the audit recommendations is in clearance. FmHA expects publication in early 1992.

26. Compliance With Promptness Standards for Loan Approval and Appeal Actions, Issued July 31, 1989, Report #04099-282-AT*.

The audit recommended that FmHA revise its internal review process to include reviews to determine whether completed application dates are accurate and documented properly. The completion of FmHA's automated application processing system is contingent on the full implementation of the Management Records System (MRS). MRS continues to operate as a State-wide pilot in South Carolina, as well as five additional sites in Georgia, Kentucky, Ohio, North Carolina, and Washington.

27. Rural Housing Loans on Manufactured Homes, Issued August 16, 1989, Report #04099-284-AT*.

The audit recommended that FmHA ensure that CO personnel use no higher than average quality cost factors to appraise manufactured houses. The regulation addressing the appraisal issue is drafted and is included as part of a major revision to FmHA Instruction 1944-A. Review of the proposed regulation by OMB is delaying final action.

28. Rural Housing Graduation Pilot Project in Washington, D.C., Issued May 31, 1990, Report #04099-297-AT.

The audit recommended that FmHA:

- advise participating pilot States of the cited discrepancies found in North Carolina;
- require a review of all refinanced loans to ensure that the payoff amounts are computed correctly;
- require appropriate corrective actions if incorrect payoff amounts are found; and
- issue revised loan closing instructions relating to final payments and delivery of payoff checks.

FmHA published Instruction 1951-D, "Final Payment on Loans," in the Federal Register as a proposed rule in March 1991. Higher priority regulations delayed the rule which FmHA expects to publish in early FY 1992.

29. Rural Rental Housing Program Compliance, Issued August 17, 1989, Report #04600-1-SF*.

The audit recommended that FmHA:

- require the borrower to submit reliable financial statements audited by a Certified Public Accountant (CPA) for 1987 and 1988 for each of the borrower's Rural Rental Housing projects; and
- review management fee expenses for the years not reviewed by OIG and require the borrower to correct any overcharges found.

The borrower is under active OIG investigation. No action can be taken until OIG completes the investigation.

30. 1988 Drought Emergency Loss Loans in Texas, Issued December 26, 1989, Report #04600-2-TE*.

The audit recommended that FmHA direct the Gillespie, Shelby, and Jim Wells CO's to collect emergency funds duplicated by ASCS disaster payments. The borrowers are on a repayment schedule which is delaying final action.

31. Rural Area Eligibility Designations in Washington, D.C., Issued December 5, 1989, Report #04600-4-AT.

The audit recommended that FmHA revise its regulations:

- to require SO and CO personnel to perform more frequent reviews when rapid development affects existing boundary lines;
- to require contacts with local planning officials and documentation of planned development (3 to 5 years) which impacts boundary determinations when rural area reviews are made; and
- to further define land types and uses that qualify as open space and to specify that boundary designations shall include required open spaces within the ineligible nonrural areas.

FmHA drafted a regulation to address the Rural Housing Eligibility Designations as part of a major revision to Instruction 1944-A. The revision is under discussion with OMB. The time required for public comment and preparation of the final regulation are delaying completion of the audit recommendations.

32. Labor Housing Loan Program in Washington, D.C., Issued January 26, 1990, Report #04600-6-AT.

The audit recommended that FmHA:

- assign sufficient resources to ensure publication of the proposed regulation by an established target date;
- ensure the proposed regulation contains sufficient provisions to address: (1) the use of loan agreements when rental income is to be collected by Labor Housing (LH) borrowers, (2) the servicing of cases where unauthorized rent was collected by LH borrowers, and (3) whether unauthorized rent collections should be collected and applied to LH loan accounts;
- ensure that corrective actions agreed to and planned in response to audits are implemented promptly and that conditions reported by audits are not allowed to continue;
- establish procedures to either require that above moderate income LH tenants pay appropriate rental rates or prohibit temporary LH occupancy by above moderate income households; and
- establish procedures for rental payments which exceed approved/subsidized rental rates to be remitted to FmHA as additional payments on LH Loans.

FmHA is revising its regulations and anticipates a final rule in January 1992.

33. Guaranteed Loan Interest Rate Buy Down Program, Washington, D.C., Issued March 29, 1990, Report #04600-7-AT.

The audit recommended that FmHA:

- require lenders to submit a completed Section A of the Lender's Checklist provided in Administrative Notice No. 1896 (1980-B) with other documents submitted to the County Supervisor for approval;

- establish procedures to ensure that District Directors and County Supervisors review cash flow items during internal reviews for Approved Lender Program lenders, as well as Nonapproved Lender Program lenders; and
- establish procedures to require lenders to certify before loan closing that off-farm income, farm debts, and ASCS payments were verified and that crop yields were based on 5-year average yields for other sources required by regulations.

The 1990 FACT Act necessitated proposed regulatory changes to implement the Loan Assessment Program. To maximize efficiency, FmHA Form 449-23 was revised totally and put on hold for concurrent release with upcoming Loan Assessment regulations. The Credit and Financial Analysis Training, a major revision of FmHA Form 449-23, and the need to hold up reissuance of the rules until FmHA staff complete the course are delaying final action.

34. Emergency Loss Loan Program, Washington, D.C., Issued May 3, 1990, Report #04600-9-AT.

The audit recommended that FmHA:

- require that State and County officials follow the provisions set forth in the Memorandum of Understanding (MOU); and
- review and revise the MOU or Form FmHA 1945-29 to ensure that conditions reported in prior audits are not allowed to continue.

FmHA drafted the revised MOU. Training on the MOU will be incorporated into the Emergency Loan Training Package when the MOU is issued. Negotiations and discussions between FmHA and ASCS are delaying final action.

35. Nation-wide Audit of County Office Operations, Issued July 16, 1985, Report #04642-1-TE*.

The audit recommended that FmHA:

- strengthen internal controls;
- develop and implement a method for determining refund checks; and
- improve controls over interest credit recapture (ICR) operations.

FmHA continues to revise Instruction 1951-I, "Recapture of Section 502 Rural Housing Subsidy." Problems with Principal Reduction Attributed to Subsidy capitalization delayed issuance of the Instruction. It is estimated that Instruction 1951-I will be published in December 1991 and that the Finance Office will complete recapture automation in September 1992.

36. Cash and Debt Management Activities, Issued March 10, 1989, Report #04663-2-CH*.

The audit recommended that FmHA:

- perform a detailed analysis to determine the level at which it would be cost beneficial to pursue foreclosure and deficiency judgments;
- propose necessary legislative changes to allow State Employment Security Agencies to provide wage information to FmHA offices for use in wage matching;
- implement regulations to require SO's and CO's to obtain wage information to make wage matches to confirm the information reported by the borrower;
- develop guidelines to identify repayment ability and/or assets that can be used to reduce the size of the writeoff and require the borrower to certify that all assets, income, and interest in real estate are fully disclosed under penalty of Section 1001 of Title 18 of the U.S. Code;
- take promissory notes when full releases are not granted;
- revise the accounting system to record properly the transactions involving acquisition and the writeoff of the debt and develop controls to ensure that all costs attributed to the borrower are proper charges to the borrower's account prior to the writeoff of the debt;
- modify the Current/Past Debt Inquiry System to match borrowers to a "debt settlement default" file prior to loan obligations and retain in the system applicants' prior loans settled through adverse action; the circumstances surrounding the adverse action; the losses FmHA incurred attributable to the borrower in the acquisition, handling, or sale of the property; and the recommendations on whether future loans should be made to the borrower;
- retain, for an established period, all case files for borrowers identified as unsatisfactory in the Inquiry System so that sufficient data concerning prior loan activity is available to subsequent approval officials;

- advise all SO's and CO's of the results of OIG's ICR reviews and reemphasize the procedures that should be followed;
- require CO's to improve the accuracy of selling expenses used to calculate ICR and revise the definition of original equity to include only cash and lot contributions and/or sweat equity for self-help housing program participants;
- automate ICR receivables and improve controls over the issuance of refund checks;
- increase bonding requirements for escrow agents to amounts more representative of FmHA lending activity; and
- suspend and/or debar attorneys who continue to delay remittance of funds.

FmHA expects to complete the revised regulations for liquidation, acquisition, and management of property by June 1992. In July 1991, FmHA's pilot project to study wage matching was included in a proposed package and forwarded to OGC for review. Form FmHA 1944-3, "Budget and/or Financial Statement," is revised and awaits OMB's approval. FmHA Instruction 1955-A will be published in the Federal Register in early FY 1992. In February 1991, the Federal Register published revisions to FmHA Instruction 1965-C. Revisions to regulations covering deeds in lieu of foreclosure are projected in early FY 1992. Problems identified by OIG's ICR reviews are expected to be corrected by February 1992. A program to automate calculating, recording, and accounting for amounts subject to ICR is anticipated in FY 1993. FmHA is revising Instruction 427.1 to require that an attorney must have in full force and effect a fidelity type bond of at least \$50,000 or equivalent fidelity type protection. The numerous regulatory changes are delaying final action.

37. Farmer Program Guaranteed Loans Need Improvement, Issued September 29, 1988, Report #04665-2-TE*.

The audit recommended that FmHA:

- obtain statements from lenders indicating that they reviewed the borrower's financial information and that they could not consider giving the borrower a loan;
- implement policies and procedures to collect debts on defaulted loans; and
- computerize controls to detect and prevent borrowers who default on other Government obligations from obtaining FmHA loans without repayment of the defaulted loans.

Price Waterhouse conducted a screening test to identify risks to the Government and improve probability of borrower success. FmHA received the final Price Waterhouse report in June 1991 and is reviewing the report findings for practical application. This is delaying final action. FmHA issued a checklist Administrative Notice to be used on loss claim and adequacy of lender liquidation plans.

38. Nation-wide Review of Selected Program Areas, Issued September 29, 1989, Report #04669-2-FM*.

The audit recommended that FmHA:

- review its data base to identify areas to increase utilization of Agency automated data in the identification of potential loan processing, servicing, and management problems;
- establish procedures to conduct routine analyses of automated data and to provide exception listings to field offices for use in managing the FmHA loan portfolio; and
- require SO's to monitor closely the timeliness of CO processing of Interest Credit Agreements, prepare quarterly reports to identify field offices which are not timely in renewing or canceling Interest Credit Agreements, distribute the reports to appropriate State, District, and CO's, and implement controls to ensure timely cancellation/renewal.

FmHA formed a Data Base Review Working Group to identify areas where the Agency's automated data could be used better. Systems not supporting legislative requirements receive lower Agency priority. This is delaying final action. Coordination efforts and interface requirements also delayed the capability to system-validate interest rates. Following modification of the functional requirements, resources will be scheduled to complete development and implementation.

39. FmHA Debt Restructuring for Delinquent Borrowers - Processing of Borrower Applications, Issued September 7, 1989, Report #04673-5-SF.

The audit recommended that FmHA:

- issue a notice to the public stating that the NRB process is suspended pending the disposition of criminal prosecution proceedings and that missing collateral will be counted in the net recovery computation in cases where the allegation of fraud, waste, or conversion is substantiated by OGC; and

- seek legislative remedies to preclude borrowers who lack good faith from participating in any of the Act's provisions.

The legislative remedies are complete and Instruction 1951-S is drafted. The Instruction includes guidelines to suspend NRB, add the value of missing security to the net recovery value, and extend the good faith eligibility element to NRB and Lease Back/Buy Back. Pursuit of the legislative remedies delayed final action. FmHA forwarded the proposed Instruction to the Federal Register, and a final rule is expected in December 1991.

40. Unauthorized Use of FmHA Inventory Farm Property, Issued May 17, 1989, Report #50099-20-AT*.

The audit recommended that FmHA consult with OGC to determine whether there is legal recourse to seek compensation of approximately \$498,612 from trespassers. FmHA referred five cases to OGC. Determinations on four cases are complete. The fifth case is in the U.S. Attorney's Office for legal action. This is delaying final action.

41. Oversight of Program Operations Through the Use of Certified Public Accountants, Issued March 31, 1987, Report #50659-4-CH*.

The audit recommended that FmHA develop an automated system to track audits and to follow up when reports are not received or are unaudited. The tracking system is in the initial stages of design. The target date for completion is in FY 1994.

42. Audit of FCIC Reinsurance Operations - Mississippi, Issued March 31, 1988, Report #05099-11-AT*.

The audit recommended that FCIC:

- require the producer to certify the names in which production is sold from acreage farmed by the producer; and
- either establish claims for loss overpayments or provide justification that a claim is not appropriate.

This audit involves OIG investigations which are pending judicial action in the U.S. courts. This is delaying final action.

43. **FCIC Crop Insurance Contracts for Crop Year 1988, Contract No. 22-129-53282, Adjusted by American Agrisure, Issued October 13, 1989, Report #05099-20-CH.**

The audit recommended that FCIC adjust yields in the following crop years for discrepancies noted in the insured's 1987 production and yields. A change in FCIC's management decision based on the policy cancellation is delaying final action.

44. **FCIC Crop Insurance Contracts for Crop Year 1988, Contract No. 17-141-25899, Adjusted by Federal Crop Insurance Corporation, Issued January 11, 1990, Report #05099-33-CH.**

The audit recommended that FCIC:

- collect the overpaid indemnity;
- adjust the insured's liability, base premium, subsidized premium, and administrative expenses downward;
- adjust yields in following calendar years for discrepancies noted in the insured's 1986 and 1987 production and yields; and
- delete a specified unit and include another unit in the policy for crop year 1988.

FCIC is working with the Field Service Office and anticipates final action in early FY 1992.

45. **Audit of 1988 Wheat Contract No. 33-017-50709-FO for Cass County, North Dakota, Dawson Hail Insurance Company, Issued August 24, 1989, Report #05099-34-KC*.**

The audit recommended that FCIC:

- instruct the reinsured company to correct the premiums and liability and recover the overpaid indemnity and the overstated administrative expense; and
- require the reinsured company to correct the Actual Production History (APH) records and combine optional units where required records were not maintained.

The reinsured company has not refunded the monetary amount to the producer. FCIC referred this case to its Reinsurance Division for resolution. The company will be contacted to pursue the refund to the producer. This is delaying final action.

46. **Audit of Reinsurance Accounting System, Kansas City, Missouri, Issued March 30, 1990, Report #05099-35-FM.**

The audit recommended that FCIC add the edits and validations identified in the audit and develop additional error codes and messages for these new edits and validations as necessary. Specifically, implement an edit to limit an insured's indemnity computation to the lesser of reported acres or acres determined at the time of loss. A change in FCIC's management decision is delaying final action.

47. **Audit of 1988 Wheat Contract No. 33-000-51064-FO for McLean County, North Dakota, Dawson Hail Insurance Company, Issued August 23, 1989, Report #05099-35-KC*.**

The audit recommended that FCIC:

- require the reinsured company to refund the overpaid indemnity and administrative expense;
- require the reinsured company to adjust the accounting records to reflect the correct liability and premiums; and
- require the reinsured company to correct the APH records for the contract.

The reinsured company has not paid the monetary amount due the producer. FCIC referred this case to its Reinsurance Division for resolution. The company will be contacted to pursue the refund to the producer. This is delaying final action.

48. **Audit of Wheat Contract No. 30-051-37260 for Liberty County, Montana, Longview Crop Insurance Agency, Inc., Issued August 4, 1989, Report #05099-37-KC*.**

The audit recommended that FCIC establish a separate policy unit for the crop shared land. FCIC revised its management decision and will issue a letter to the insured in early FY 1992, at which time the insured has the option to appeal the determination. This is delaying final action.

49. **FCIC Crop Insurance Contracts for Crop Year 1988, Contract No. 13-111-80211, Adjusted by American Agrisurance, Issued December 27, 1989, Report #05099-39-CH.**

The audit recommended that FCIC:

- recover the overpaid indemnity; and

- adjust crop year yields for discrepancies noted in yields for specified units and reclassify three units as optional units.

FCIC referred the audit to its Financial Operations Branch for administrative offset. This is delaying final action.

50. 1988 Crop Year Soybean Contract No. 13-041-00553 in Fayette County, Indiana, Issued September 25, 1989, Report #05099-43-TE.

The audit recommended that FCIC:

- recover the overpayment;
- adjust the accounting records to reflect the overstated liability and total premiums;
- direct the reinsured company to refund the excess premium;
- require the reinsured company to correct the 1988 crop year history data base to show one basic unit; and
- require the reinsured company to make appropriate corrections to the production report for the 1989 APH to limit the insured to four optional/guideline units.

A change in FCIC's management decision is delaying final action.

51. Audit of 1988 Wheat Contract No. 25-416-05035 for Liberty County, Montana, Crop Hail Management, Issued July 14, 1989, Report #05099-53-KC*.

The audit recommended that FCIC require the reinsured company to correct the indemnity paid to the insured. FCIC advised the company of its position on the audit determinations, the actions needed to resolve the audit, and provided the company with its appeal rights. This is delaying final action.

52. Audit of 1988 Corn Contract No. 14-836-031630 for Cerro Gordo County, Iowa, National Ag Underwriters, Inc., Issued September 29, 1989, Report #05099-63-KC*.

The audit recommended that FCIC:

- require the reinsured company to refund the overpaid indemnity and administrative expense;

- require the reinsured company to correct the APH data base effective for the 1988 crop year; and
- require the reinsured company to correct credited production-to-count for combined units for updating the APH data base.

FCIC revised its determinations based on the company's response. FCIC anticipates correction of the audit recommendations in early FY 1992.

53. Audit of 1988 Corn Contract No. 051107 for Buchanan County, Iowa, Great American Insurance Companies, Issued August 31, 1989, Report #05099-68-KC.

The audit recommended that FCIC:

- require the reinsured company to refund the overpaid indemnity and administrative expense;
- adjust the accounting entries for the corrected liability and premium; and
- require the reinsured company to correct the adjusted production-to-count for updating the APH data base.

FCIC's review of the August 1991 accounting data is delaying final action. Collection will complete action on this audit.

54. FCIC Audit of 1988 Crop Insurance Contracts With Claims, Issued September 29, 1989, Report #05600-1-TE.

The audit recommended that FCIC:

- issue instructions defining independently verifiable unit production records and make it mandatory to combine units at loss adjustment when verifiable records are not available and/or do not support unit division;
- enforce provisions which require reviews of past yield histories and incorporate these provisions into the Multiple-Peril Crop Insurance manuals;
- eliminate the use of the premium adjustment factors for computing FCIC loss claims;
- expand the APH reviews of both reinsured and FCIC contracts to include the entire APH period;

- establish an acceptable APH error rate level and set annual goals to reduce the rate to this level; and
- require a review of APH data for every claim until the APH error rate is within the established level.

Other FCIC priorities and a lack of resources are delaying final action. FCIC is working to resolve the open recommendations.

55. Targeted Export Assistance Program Participant Contributions, Issued September 28, 1990, Report #07020-2-HY.

The audit recommended that FAS:

- require participants, as part of the evaluation process, to assess and describe the impact on marketing activities when/if budgeted third-party contributions are not received at the prescribed level; and
- issue uniform internal review procedures to ensure that: (1) participants submit Activity Plan Amendment Requests for significant decreases in budgeted contribution amounts; and (2) the commodity divisions monitor and evaluate by individual activity when the impact of U.S. and third-party contributions is deemed critical to the goals of the export activities.

FAS published an Interim Rule with comments due in early FY 1992. Complications arising from the conversion of the Targeted Export Assistance Program to the Market Development Program as mandated by the FACT Act delayed publishing the Rule.

56. Automated Purchase Order System Internal Controls, Issued September 28, 1989, Report #08099-11-FM*.

The audit recommended that FS:

- identify data to be maintained in the Automated Purchase Order System (APOS) audit trail consistent with GAO standards;
- require the contractor to implement the audit trail once data requirements are defined;
- postpone the implementation of additional APOS features until an operational audit trail is incorporated into all aspects of the system;
- take action to implement an archiving process for the APOS to allow for removal of data;

- ensure procedures comply with the record retention requirements for purchase orders (PO's) and coordinate the procedures with the National Office;
- complete a vulnerability assessment of APOS and related manual functions that exist for PO's;
- define and document control objectives for APOS and the control techniques used to meet the objectives based on the results of the vulnerability assessment and incorporate these controls into the existing APOS and the programs being developed;
- develop documentation for existing and future APOS programs and require the contractor to document program codes;
- run separate tests periodically on the APOS controls and edits to ensure they are effective and functioning as intended and document the results of the tests;
- complete a formal system certification for operational portions of APOS and complete a certification for those portions of APOS under development prior to implementing them Servicewide; and
- complete a periodic recertification of APOS once it is fully developed and implemented to verify that the safeguards and controls are effective.

FS expects to complete action on the audit recommendations by January 1992. A large decrease in the APOS budget and high priority changes to the APOS software are delaying final action.

57. Followup Review of Forest Service Corrective Actions on Prior Audit of Yearend Procurement Activity, Issued July 7, 1988, Report #08099-27-AT*.

The audit recommended that FS perform a thorough and timely followup review of all yearend procurements and report identified violations to the Secretary. FS asked for a Comptroller General Decision on yearend procurements that appeared to violate the bona fide need rule and the provisions of the Anti-Deficiency Act. FS received the Comptroller General's Decision; however, clarifications are needed on the Decision. Clarification on the Comptroller General's Decision is delaying final action.

58. Monitoring of Deficit Unobligated Balances, Issued September 26, 1989, Report #08099-34-AT*.

The audit recommended that FS:

- establish controls within the National Information Reporting Program and request OFM's NFC to establish controls within the Central Accounting System (CAS) to preclude either acceptance of obligations in excess of quarterly apportionment and annual appropriation levels or flag appropriation accounts when a specified percentage of funds is obligated;
- review revised financial management procedures to identify and to reestablish control features that may have been deleted;
- perform indepth financial management reviews at the accounting centers that contributed to the FY 1988 Anti-Deficiency Act violations and ascertain definitive causes and solutions for the deficit account balances;
- require accounting centers to review FY's 1986 through 1988 deficit appropriation accounts for errors in account balances and make corrections;
- instruct accounting centers and units to compare budgeted funds to actual allocations and require adjustments in obligation authority when actual funding is less than budgeted;
- coordinate with OFM's NFC to ensure that estimated obligations are established and entered into the CAS for Simplified Intragovernmental Billing and Collection unemployment compensation claims and similar charges to preclude deficit balances resulting from the payment of unobligated costs;
- establish timeframes to clear internal transfers and Senior Community Service Employment Program (SCSEP) charges;
- instruct accounting centers to review SCSEP accounts and bill the appropriate budget clearing accounts for any unclaimed reimbursement for possible refunds to the Department of Labor; and
- expand its program review coverage of accounting center operations to include evaluations of SCSEP accounts.

Final action on this audit remains incomplete until pilot testing of the AIMS project is implemented. The implementation of testing was scheduled in early FY 1992 in the FS Region 3 Albuquerque office. Due to developmental problems, testing is delayed until July 1992.

59. Administration of Timber Sale Operations, Pacific Northwest Region, Portland, Oregon, Issued September 28, 1989, Report #08099-95-SF*.

The audit recommended that FS:

- develop workload requirements for the sale administrator staffing standards and assign sufficient staff to National Forests in accordance with these standards;
- establish standardized procedures to summarize truck checks and to review summarized information to ensure that sales are checked at the required frequency;
- provide clear direction on timber sale infractions for sale administrators to refer to law enforcement personnel;
- establish a process to track and report timber sale infractions by individual purchaser and/or logger either through existing forest law enforcement data bases or a cost-effective Regional system;
- establish a directive stating that purchasers may leave unscaled loads overnight in mill yards only when either FS or an independent third party can assure the security of these loads;
- implement the controls proposed in the short-term plans for timber theft prevention and establish priorities and timeframes to ensure timely and aggressive implementation of the plans; and
- develop procedures to document major timber theft referrals to ensure that law enforcement staff report timber thefts to OIG when the estimated loss exceeds \$50,000.

The spotted owl issues delayed final action on this audit. The Pacific Northwest Region expects to complete the needed actions in early FY 1992.

60. Audit of Termination Proposal Settlement Submitted by James M. Ellett Construction Company, Issued July 10, 1989, Report #08545-42-SF*.

The audit recommended that FS negotiate and reduce the contractor's proposed termination settlement. Settlement efforts were unsuccessful, and the Contracting Officer issued a final decision in June 1990. The contractor appealed to the U.S. Court of Claims in September 1990, and the Court issued an opinion in February 1991 dismissing the contractor's appeal for failure to certify the claim properly. The contractor submitted a new certified claim in August 1991. The Contracting Officer needs to issue a final decision on the new certified claim. This is delaying final action.

61. Timber Sales Management - Timber Appraisals, Issued January 24, 1986, Report #08627-3-SF*.

The audit recommended that FS:

- establish national standards for timber appraisals which result in advertised values within a range of 75 to 85 percent of actual bid values;
- establish controls to ensure appraisals are maintained within the standard specified; and
- direct its Northern Region (Region 1) to reduce the statistical adjustment factor of the transaction evidence appraisal system to ensure timber advertised values remain in a range of 75 to 85 percent of the current bid values.

FS continues to work on acceptable standards to measure overbids. Region 1 reduced its average overbids from 70 to 80 percent of its advertised rates in July 1991. FS is developing and implementing a transaction evidence based appraisal system from the residual value system in Regions 5 and 6 over the next 2 years.

62. Operations of the Montezuma Mutual Telephone Company, Issued September 29, 1989, Report #09099-7-CH*.

The audit recommended that REA:

- require the company to recover \$121,918 from the vice president along with a reasonable rate of return and to recover \$162,371 from the president for Executive Department expenditures and the purchase of a van;
- consider the loan in default if the company either does not recover the funds or does not cooperate fully in taking corrective action to resolve the audit recommendations;
- require the company to obtain and maintain necessary documentation to support its investments and make documentation available to the CPA firms engaged to audit the company's financial statements; and
- seek guidance from OGC on whether it is appropriate to notify the company's board of directors, stockholders, and the Iowa Public Commission of the results of this audit.

Montezuma submitted a CPA audit report to REA in February 1991. The audit disclosed that the stock in question was transferred to the telephone company in January 1991. However, dividends received on the stock since May 1981 have not been returned to the company. REA, in consultation with OGC and DOJ, sent a notice of default to the company in September 1991 and is undertaking to resolve the matter.

63. Oversight of Program Operations Through the Use of Certified Public Accountants, Issued March 31, 1987, Report #50659-3-CH*.

The audit recommended that REA require that borrowers' audits be performed in accordance with Generally Accepted Government Auditing Standards (GAGAS). REA published a proposed rule in the Federal Register in April 1991 that contains the requirement for GAGAS audits. A final rule is currently under review by OMB, and REA anticipates publishing it in the Federal Register in early FY 1992. The rule contains an implementation date for audits conducted as of December 31, 1991, and thereafter.

64. Followup Audit of the Imported Meat Process, Issued March 29, 1989, Report #24002-4-HY*.

The audit recommended that FSIS:

- take immediate action to ensure that Country E complies with the FSIS requirement to test for Chloramphenicol and that Countries C and E test for species in cooked products;
- resolve the differences between the U.S. and foreign countries' withdrawal periods for Dimetridazole and Carbadox;
- upon completion of rulemaking, incorporate a system to ensure that the Agency is aware of all shipments of meat products into the U.S. and whether the meat products are reinspected by FSIS for entry into U.S. commerce; and
- upon completion of rulemaking, consider establishing penalties for import brokers who fail to follow procedures established by FSIS.

Because of numerous comments received on the proposed rule, the Agency is reviewing its position. This is delaying final action.

65. Audit of the Indirect Cost Proposals for the 2 Years Ended June 30, 1987, for the State of West Virginia Department of Agriculture, Issued May 9, 1989, Report #24092-23-HY*.

The audit recommended that FSIS require the State Agency (SA) to carry forward the cumulative over-recovery of indirect costs to the next indirect cost rate negotiation. FSIS issued a new Indirect Cost Negotiation Agreement in October 1990 with fixed rates for FY's 1990 and 1991. Over-recovered costs from FY's 1985, 1986, and 1987 were carried forward to establish fixed rates for FY's 1990 and 1991. The remaining unallowable costs for this period will be included in roll-forward adjustments as the opportunity arises to adjust a provisional rate to a nominal fixed rate. Recovery will take approximately 4 years.

66. Exporting Procedures, Issued February 5, 1987, Report #24097-1-AT*.

The audit recommended that FSIS issue regulations to govern the Acceptable Quality Level Program for all classes of poultry expected to remain subject to Directive 918.1, "Poultry Carcass Inspection Program." Publication of the proposed rule is being held pending the Agency's review of a study by the National Academy of Sciences. This is delaying final action.

67. Monitoring and Controlling Pesticide Residues in Domestic Meat and Poultry Products, Issued November 17, 1988, Report #24609-1-AT*.

The audit recommended that FSIS:

- require residue staff officers to contact producers and other Government and State Agencies on violations;
- establish controls to document administrative procedures used to investigate the source and cause of violations;
- ensure case files are maintained properly; and
- ensure violations are recorded properly in the Microbiological and Residue Computer Information System.

FSIS is developing a directive and expects to publish it in January 1992.

68. Food Distribution Program Commodity Inventory Accountability, Issued March 3, 1988, Report #27002-7-NY*.

The audit recommended that FNS:

- implement procedures for the monthly reconciliation of the FNS-155 with the KC-269A report on the receipt of shipments by State Distributing Agencies; and
- develop and implement computer programs to perform the reconciliation.

The computer software to perform the FNS-155/KC-269A reconciliation is included in the Special Nutrition Program Integrated Information System. FNS completed the training and implementation in 1990. Reconciliation will occur when the Processed Commodity Inventory Management System is implemented.

69. Implementation of the Income and Eligibility Verification System in the Food Stamp Program, Issued March 30, 1990, Report #27013-45-TE.

The audit recommended that FNS:

- require the Regional Offices (RO's) to increase efforts to ensure compliance with the Income and Eligibility Verification System (IEVS) by more timely followup and enforcement of sanctions;
- determine whether additional measures, including sanctions, are needed to ensure that SA's clear IEVS matches within the regulatory timeframes;
- provide written guidance that either sets uniform IEVS targeting limits or specifies the elements the SA's must include in their Plans of Operation concerning targeting actions on the IEVS information;
- instruct the RO's to ensure that FSP applicants' households are included in the matching process of IEVS and that data sources of IEVS are not limited to the surrounding States unless it is proven cost-effective to do so; and
- require the RO's to review the SA's Plans of Operation to ensure that targeting procedures are proper.

FNS issued a memorandum in November 1990 to clarify applicant matching in Texas and to restate policy on applicant matching. In September 1990, FNS awarded a contract to conduct a study of targeting strategies under the IEVS regulations. The purpose of the study is to develop information on practical approaches that SA's can use to improve the cost-effectiveness of their IEVS matching/targeting practices. Upon completion of the study, a final Technical Evaluation Report will be provided.

This report will be a comprehensive evaluation of the test results and will address the efficiency and cost-benefit of each tested targeting strategy. FNS will issue a memorandum to the RO's to provide guidance to assist in the review of IEVS targeting plans. Final action is anticipated in FY 1992.

70. Food Stamp Program Case File Documentation in Florida, Issued July 12, 1989, Report #27013-60-AT*.

The audit recommended that FNS require the SA to complete claims determinations and establish claims, as appropriate, for the cases cited with overissuances. FNS is monitoring the SA's progress to complete claim determinations for the cases cited and to establish claims where appropriate. The SA will submit supporting documentation to FNS when these actions are complete. This is delaying final action.

71. Computer Matching of Food Stamp Participation Records in Colorado with Federal Personnel Records, Issued March 30, 1990, Report #27019-1-KC.

The audit recommended that FNS:

- instruct the Colorado Department of Social Services to make overissuance determinations and establish claims for overissuances;
- instruct the Colorado Department of Social Services to ensure that disqualification hearings are held and disqualify recipients where intentional program violations are confirmed; and
- instruct the Colorado Department of Social Services to ensure that, when income is reported, it is used when determining the household food coupon allotment.

The audit identified 52 cases with potential overissuances. The SA established claims for 15 cases. Collection of the funds by the SA is delaying final action.

72. Food Stamp Program Computer Matching, San Francisco County, California, Issued February 8, 1990, Report #27019-30-SF.

The audit recommended that FNS require the CO to make an overissuance determination for the cases identified in the audit and establish claims for overissuances. There were 14 cases identified with potential overissuances. The SA established claims for eight cases. Collection of the funds by the SA is delaying final action.

73. Food Stamp Program Computer Matching, Seattle, Washington, Issued March 6, 1990, Report #27019-31-SF.

The audit recommended that FNS instruct the Department of Social and Health Services to cooperate with OIG in its investigation of nine cases. The investigation is complete, and FNS is initiating final action.

74. Redemption Accountability Pilot, Issued September 29, 1989, Report #27019-38-HY*.

The audit recommended that FNS:

- develop and implement either regulations, policies, procedures, or Federal Reserve Bank (FRB) agreement terms to provide full accountability through the enforcement of balanced deposit requirements;
- redesign the Redemption Certificate by using paper that can be processed through the FRB check processing equipment;
- revise the Redemption Certificates to require the retailer and the financial institution officials to certify the accuracy of the amount of coupons and that the coupons were redeemed in accordance with the FSP regulations;
- redesign the Food Coupon Deposit Document;
- redesign the Food Coupon Activity/Reconciliation Report;
- reconcile the Food Coupon Activity/Reconciliation Report, Debit Voucher, and the FSP Obligation Account data;
- develop and implement written procedures for FNS and the FRB to follow in implementing the Redemption Accountability Pilot nationwide; and
- develop and implement written operating procedures which require periodic audit of the balancing and enforcement operations at each FRB.

Administrative recommendations are complete. The nation-wide rollout of the system redesign involved over 200,000 retail food stores, 10,000 financial institutions, and the Federal Reserve System. Full operations under the system redesign were rolled out sequentially by Federal Reserve District, and full system implementation was complete in all Federal Reserve Districts in June 1991. FNS is initiating final action.

75. Computer Matching of Food Stamp Participation Records with Federal Personnel Records Detected Overissuances, Issued October 18, 1989, Report #27019-41-TE*.

The audit recommended that FNS:

- instruct the Oklahoma Department of Human Services, the Texas Department of Human Services, and the Louisiana Department of Health and Human Services to make overissuance determinations for cases identified in the audit;
- establish claims for overissuances where program violations are confirmed; and
- ensure that disqualifications from the FSP are imposed.

The audit identified 389 potential food stamp overissuances. The SA's reviews are complete, and claims are established. Collection of the funds by the SA's is delaying final action.

76. Food Stamp Program Recipient Abuse in Michigan, Issued March 30, 1990, Report #27019-60-CH.

The audit recommended that FNS:

- require the SA to determine the full period and amount of overissued FSP benefits and establish claims against the 34 recipients not referred to OIG Investigations;
- require the SA to determine the full period and amount of overissued FSP benefits due to agency error for the 18 cases and establish a claim against the SA for the overissued benefits;
- require the SA to determine if overissuances of FSP benefits occurred for the 50 additional cases and establish claims against the recipients;
- encourage the Michigan Department of Social Services to exchange periodically FSP participation data with Ohio and other States to detect dual participation; and
- require the SA to determine the full period and extent of ineligible benefits received by the two sets of households and establish an appropriate claim against the recipients.

The audit identified 117 cases with potential overissuances and dual participation. The SA needed to determine if overissuances occurred for 50 additional cases and establish claims where appropriate. The SA established claims for 55 cases. Collection of the funds by the SA is delaying final action.

77. Food Stamp Program Recipient Abuse in Minnesota, Issued March 30, 1990, Report #27019-62-CH.

The audit recommended that FNS:

- require the SA to instruct the appropriate CO to determine the full period and amount of overissued FSP benefits and establish claims against the recipients; and
- establish a claim against the SA for the overissued FSP benefits associated with the nine instances of dual participation due to agency error.

The audit identified 23 cases with potential overissuances. The SA established claims, and collection of the funds by the SA is delaying final action.

78. Food Services Operations, Department of Education, Government of Guam, Issued August 26, 1988, Report #27022-41-SF*.

The audit recommended that FNS:

- recover funds for overstated counts of meals served under the National School Lunch Program (NSLP) and the School Breakfast Program (SBP) during the 1986 and 1987 school years and part of the 1988 school year; and
- require the SA to compute and remit to FNS the excess reimbursement payments received for the following cases of meals for the 3-year period the auditors did not examine:
 - free and reduced price meals served to ineligible persons;
 - breakfasts served under the SBP severe need component in schools not eligible to be classified as being in severe need; and
 - meals served to ineligible persons in Head Start Program operations.

The SA did not conduct the reviews within a reasonable timeframe. FNS withheld payments due the SA for FY's 1989 and 1990 for administrative costs and meal reimbursements under the Child Nutrition Programs. FNS provided limited FY 1989 funds for the SA to engage a CPA firm to complete the work and to reimburse local

program operators not affiliated with the SA. The CPA report recommended that FNS recover additional funds from the SA for ineligible meals. FNS recovered the disallowed costs identified in the original audit, and the SA requested that the additional funds be offset against amounts that FNS owed the SA. The offset is complete, and FNS is initiating final action.

79. Audit of National School Lunch Program and Commodity Distribution Program in Carlsbad Municipal School District, Issued December 20, 1989, Report #27023-253-TE.

The audit recommended that FNS:

- direct the New Mexico Department of Education to recover and remit costs for ineligible and unsupported meals;
- direct the New Mexico Department of Education to instruct the Carlsbad Municipal School District (CMSD) to compare meal counts at each school to the number of approved free or reduced-price applications for that school and to claim only the number of meals that were served to students with approved applications for reimbursement;
- direct the New Mexico Department of Education to instruct CMSD to implement a review system to ensure the accuracy of the claims;
- direct the New Mexico Department of Education to instruct CMSD to reevaluate and strengthen controls over CMSD's distribution of tickets to preclude the transfer of tickets between students;
- direct the New Mexico Department of Education to instruct CMSD to discontinue claiming free or reduced-price meals unless an approved free or reduced-price application is on file for the students charging the meals;
- direct the New Mexico Department of Education to provide guidance and technical assistance to CMSD and monitor CMSD to ensure CMSD operates the NSLP in accordance with regulations;
- direct the New Mexico Human Services Department, Commodity Bureau, to recover and remit costs for the value of overissued commodities;
- direct the New Mexico Human Services Department, Commodity Bureau, to provide guidance and followup to ensure CMSD maintains accurate perpetual inventory records;

- direct the New Mexico Human Services Department, Commodity Bureau, to instruct CMSD to reconcile perpetual inventory records to monthly physical inventory counts and assure that warehouse personnel are trained in the reconciliation process;
- direct the New Mexico Human Services Department, Commodity Bureau, to instruct CMSD to require school officials to count and sign for commodities as they are delivered from the central warehouse; and
- direct the New Mexico Human Services Department, Commodity Bureau, to provide guidance and technical assistance to CSMD and monitor CMSD to ensure that the Commodity Distribution Program violations are corrected properly and do not recur.

FNS is collecting the disallowed costs through a voluntary repayment schedule. Full collection of the disallowed costs will complete action on this audit.

80. Child Care Food Program - Family Day Care Home Operations, Quad Area, Community Action Agency, Hammond, Louisiana, Issued March 8, 1989, Report #27025-30-TE*.

The audit recommended that FNS:

- decide whether the sponsoring organization is capable of providing effective fiscal administration of the Child Care Food Program (CCFP);
- direct the SA to terminate the CCFP Agreement and recover the overclaim if the sponsoring organization is determined incapable;
- direct the SA to recover the overclaim if the CCFP Agreement is maintained;
- ensure a cost allocation system is established and used as a basis for allocating costs; and
- provide guidance and technical assistance to the sponsoring organization and monitor the financial management system.

FNS is collecting the disallowed costs through a voluntary repayment schedule. Full collection of the disallowed costs will complete action on this audit.

81. Child Care Food Program - Whispering Wonders Pre-School, Issued March 30, 1989, Report #27029-175-HY*.

The audit recommended that FNS:

- collect excess reimbursements;
- instruct the sponsor to report accurately its enrollment for free, reduced-price, and paid children's meals and to establish procedures to ensure that application forms are complete;
- instruct the sponsor to collect and maintain all necessary program records; and
- instruct the sponsor to claim meals based on actual meal counts.

FNS is collecting the disallowed costs through a voluntary repayment schedule. Full collection of the disallowed costs will complete action on this audit.

82. Child Care Food Program - Bethany Christian School, Issued March 31, 1989, Report #27029-193-HY*.

The audit recommended that FNS:

- collect excess reimbursements; and
- instruct the sponsor not to claim meals in excess of licensed capacity.

FNS is collecting the disallowed costs through a voluntary repayment schedule. Full collection of the disallowed costs will complete action on this audit.

83. Child Care Food Program - Bushwick Community Action Association, Inc., Issued March 29, 1990, Report #27029-293-HY.

The audit recommended that FNS:

- instruct the sponsor to document that correct enrollment is reported, that meals meet the minimum milk component requirements, that wages paid do not exceed amounts allowable per budget, and that administrative costs in excess of the maximum allowable are not claimed; and
- collect the questioned costs.

FNS is collecting the disallowed costs through a voluntary repayment schedule. Full collection of the disallowed costs will complete action on this audit.

84. Child Care Food Program - Hempstead After School, Issued March 28, 1990, Report #27029-300-HY.

The audit recommended that FNS collect the questioned costs and instruct the sponsor to document that adequate records are kept to support food purchases. FNS is collecting the disallowed costs through a voluntary repayment schedule. Full collection of the disallowed costs will complete action on this audit.

85. Child Care Food Program - Putnam Child Development Center, Issued March 28, 1990, Report #27029-305-HY.

The audit recommended that FNS:

- collect questioned costs; and
- instruct the sponsor to document that correct enrollment is reported, that administrative costs in excess of the maximum allowable are not claimed, that meals are not claimed in excess of license capacity, and that claims are recorded accurately.

FNS is collecting the disallowed costs through a voluntary repayment schedule. Full collection of the disallowed costs will complete action on this audit.

86. 1986 Child Care Food Program - Boys Harbor, Inc., Issued October 1, 1987, Report #27029-961-NY*.

The audit recommended that FNS collect funds paid in excess of program regulations. OGC informed FNS that it would be difficult to recover the overpayments attributed to self-prep sites due to unclear regulations. FNS agreed to revise its regulations to clarify the acceptable method for obtaining reimbursement for meals served by a sponsor. Regulatory and policy activities for the adult day care component of the CCFP and clarification of authority to assess overclaims for inadequate recordkeeping delayed final action. FNS expects to publish proposed rules in early 1992 and final rules by January 1993.

87. 1987 Child Care Food Program - Boys Harbor, Inc., Issued December 12, 1988, Report #27029-1055-NY*.

The audit recommended that FNS collect funds paid in excess of program regulations. OGC informed FNS that it would be difficult to recover the overpayments attributed to self-prep sites due to unclear regulations. FNS agreed to revise its regulations to clarify the acceptable method for obtaining reimbursement

for meals served by a sponsor. Regulatory and policy activities for the adult day care component of the CCFP and clarification of authority to assess overclaims for inadequate recordkeeping delayed final action. FNS expects to publish proposed rules in early FY 1992 and final rules by January 1993.

88. Tennessee Department of Health and Environment - Special Supplemental Food Program for Women, Infants, and Children - Administrative Costs, Nashville, Tennessee, Issued August 18, 1989, Report #27031-19-AT*.

The audit recommended that FNS:

- determine if fiscal adjustments and recoveries are appropriate for the overclaimed administrative costs;
- conduct a review of the SA to ensure the propriety of cost adjustments;
- require the SA to discontinue using WIC funds to overcome personnel funding or staffing limitations in other programs;
- require the SA to conduct a review of duties performed by employees charged to the WIC Program; and
- require the SA to review administrative costs and make adjustments for costs charged improperly.

Final action is complete on all administrative findings. FNS conducted subsequent reviews of the SA and established claims for additional overcharges. The SA remitted the disallowed costs to FNS, and FNS is initiating final action.

89. Georgia Department of Human Resources - Special Supplemental Food Program for Women, Infants, and Children - Administrative Costs, Issued June 26, 1990, Report #27031-21-AT.

The audit recommended that FNS:

- conduct reviews of future yearend costs claimed by local agencies and ensure necessary adjustments;
- assess accounting and administrative controls at local agencies and take appropriate corrective action;
- ensure that indirect costs charged to the program are supported by current cost allocation plans approved by the State and Federal Agencies as appropriate; and

- assess the propriety of any indirect costs charged by local agencies and make appropriate fiscal adjustments.

Final action is complete on all administrative findings, and disallowed costs are collected. FNS is initiating final action.

90. Alabama Department of Public Health - Special Supplemental Food Program for Women, Infants, and Children - Administrative Costs, Issued January 24, 1990, Report #27031-22-AT.

The audit recommended that FNS:

- initiate the sanctioning process against the Alabama SA to assist in obtaining implementation of an effective cost allocation system;
- determine whether fiscal adjustments and recoveries are appropriate for the overclaimed administrative costs charged to the WIC program; if so, require the SA to determine the amount of improper claims for FY's 1987 through 1990 and make the necessary adjustments;
- conduct a followup review at the SA to ensure the propriety of cost adjustments and determine that conditions cited have been corrected;
- require the SA to implement a cost allocation system to distribute accurately personal services and printing costs to the WIC program; and
- require the SA to conduct sufficient testing during its internal reviews of subrecipients to ensure the propriety of personal service costs claimed.

Final action is delayed pending negotiations between FNS and the SA on the redetermination of the claim amount. FNS is continuing to monitor and work with the SA to ensure that the administrative findings are addressed adequately.

91. Nutrition Assistance Program Block Grant, San Juan, Puerto Rico, Issued July 31, 1987, Report #27080-3-NY*.

The audit recommended that FNS:

- require the SA to coordinate with other Federal Agencies to obtain a proper allocation of administrative funds for integrated services; and
- require the SA to submit revised financial reports.

DHHS is responsible for the allocation of costs for the SA administering the Puerto Rico Nutrition Assistance Program. FNS referred the Cost Allocation Plan (CAP) to DHHS for approval. The SA is negotiating with DHHS for approval of its CAP. Final action is delayed pending approval of the CAP and the SA's revised financial reports.

92. Contracting of Food Service Management Companies in the National School Lunch Program, Issued June 20, 1989, Report #27099-25-SF*.

The audit recommended that FNS:

- establish contracting guidelines for Food Service Management Companies (FSMC's);
- direct the SA to eliminate unnecessary hiring and comply with other restrictions;
- enforce the requirement that fixed-price contracts be awarded through competitive bids for the School Food Authorities (SFA's);
- request a waiver from OMB to allow fixed-price contracts with FSMC's; and
- require the SFA's using cost reimbursable contracts with FSMC's to install cost controlling provisions on contracts.

FNS agreed to improve management controls over procurement and to publish more restrictive procurement regulations. Information was not available to develop a long-term policy, and FNS awarded a contract in September 1990 to study FSMC's in school nutrition programs. FNS suspended regulatory action pending its review of the study results. This is delaying final action. In the interim, a group of FNS Regional representatives is developing guidance for FSMC contracts.

93. Food Distribution and National Commodity Processing Programs by Preferred Meal Systems, Inc., Issued March 30, 1990, Report #27099-77-CH.

The audit recommended that FNS:

- require Preferred Meals Systems, Inc., (PMS) to establish and implement procedures to maintain records to account properly for donated foods, to ensure conformance with contract requirements, not to take inventory drawdowns until refunds for the value of donated foods have been paid by eligible recipient agencies, and to ensure compliance with contracted yield requirements; and

- conduct an on-site review after PMS implements the recommended procedures to evaluate their adequacy. If procedures are determined not to meet fully the regulatory and contractual requirements, initiate debarment proceedings against the processor.

FNS collected the disallowed costs in July 1990. FNS is conducting additional reviews of the processor to ensure that corrective actions were taken. The completion of these reviews is delaying final action.

94. Yield Shortages at Better Baked Foods, Inc., Issued March 15, 1989, Report #27099-79-CH*.

The audit recommended that FNS recover the value of yield shortages. Better Baked Foods, Inc., refuted the claim amount and agreed to submit documentation to support a reduction in the claim. OIG determined that the documentation provided did not support a reduction in the claim and upheld the original amount. After unsuccessful attempts to recover the claim amount, FNS referred the claim to OGC. OGC determined that prior to pursuing further collection attempts, FNS must obtain an assignment of claims from the States involved. This would allow FNS to collect the value of commodities allocated to the States. FNS is reconstructing the data needed to support the original request and the request for assignment. This is delaying final action.

95. Food Stamp Program Administrative Costs - Nationwide, Issued March 30, 1990, Report #27600-2-SF.

The audit recommended that FNS:

- establish a schedule for conducting FSP Expenditure Validation Reviews (EVR's) by the RO's of States within their regions;
- inform the RO's of the conditions identified in other States;
- work with DHHS to provide direction to States on the proper allocation of common certification costs between Federal and State programs in accordance with OMB Circular A-87 and instruct States that a waiver from OMB is required for any allocation method which does not comply with A-87;
- instruct the RO's to review the eligibility of the costs allocated between the 75-percent enhanced fund elements of the FSP and the elements eligible for the 50-percent reimbursement;
- instruct the RO's to review the eligibility of the costs allocated;

- review the policy on which indirect costs are eligible for enhanced fraud funding;
- issue a National Office Policy Memorandum clarifying the issue of prosecution costs being eligible for enhanced funding;
- instruct the States that a claim against a household cannot be considered as an intentional program violation claim; and
- direct the States to follow the Federal procurement regulations for the award of contracts for FSP services.

FNS is revising its EVR Guide to incorporate the recommended changes. FNS expects to issue the revised guide in January 1992.

96. Special Supplemental Food Program for Women, Infants, and Children - Vendor Monitoring and Food Instrument Delivery Systems, Issued June 15, 1988, Report #27661-2-CH*.

The audit recommended that FNS:

- establish minimum requirements to identify high-risk vendors; and
- establish high-risk vendor investigative requirements.

Final action is delayed pending issuance and implementation of final regulations on food delivery in the WIC Program. FNS issued a proposed rule in December 1990 and is reviewing the comments to determine the necessary changes. Due to the sensitivity of this rulemaking and the significant Congressional interest, FNS intends to prepare the rule based on comments received on the December 1990 proposed rule.

97. Food Stamp Program Case File Documentation, Issued July 12, 1988, Report #27662-2-AT*.

The audit recommended that:

- the SA reconcile periodically the master FSP issuance file against case file documentation on a sample basis;
- the SA monitor followup actions by local Food Stamp Offices to ensure documentation is located for case files identified as deficient;
- the SA establish claims and make appropriate fraud referrals for the cases identified in the audit;

- FNS encourage the SA to establish strong supervisory controls over documentation; and
- FNS clarify the verification needed for households' utility expense deductions.

FNS included the adequacy of case file documentation as a national priority target area in its management evaluation program for FY's 1989, 1990, and 1991. OMB included FNS' proposed program language focusing on case file documentation in its "Compliance Supplement for Single Audits of State and Local Governments." FNS promoted strong supervisory controls over documentation through error reduction conferences and release of the "1988 Catalog of Program Improvement Activities" and issued guidance clarifying the verification needed for utility expense deductions in June 1990. FNS will issue a memorandum in FY 1992 summarizing the types of activities and the level of attention given in this area.

98. Audit Report on the Government of Guam for the Fiscal Year Ended September 30, 1985, Issued January 26, 1988, Report #50568-91-SF.

The audit recommended that FNS:

- collect a total of \$139,260 in excess reimbursements for ineligible charges claimed by the SA; and
- require the SA to submit financial status reports based on cost principles established by OMB Circular A-87.

FNS billed the SA for \$131,610. The SA submitted partial payment and requested that FNS redetermine the remaining disallowed costs. Upon redetermining the claim amount, FNS billed the SA for \$73,677. The SA appealed the claim which delayed final action. The SA provided documentation to support allowable charges. The appeal has been withdrawn, and FNS is initiating final action.

99. Audit of the State of Tennessee, for the Fiscal Year Ended June 30, 1988, Issued January 9, 1990, Report #50568-166-AT.

The audit recommended that the State:

- implement measures to ensure that the Tennessee Department of Health and Environment adheres to the requirements of the WIC Program to include ensuring that manual vouchers are safeguarded adequately and computerized voucher logs are completed properly; and
- implement measures to ensure that the Tennessee Department of Human Services ensures that CCFP contracts are approved properly.

Notification of corrective action from the SA delayed final action. Administrative actions are complete, and FNS is initiating final action.

100. Audit Report on the State of Washington for the Fiscal Year Ended June 30, 1988, Issued August 25, 1989, Report #50568-309-SF*.

The audit recommended that:

- the Washington State Department of General Administration comply with OMB Circular A-87 requiring adequate payroll documentation; and
- the Washington State Department of Social and Health Services amend the CAP to allow only costs in accordance with the approved written plan.

FNS delayed final action pending completion of DHHS' review of the cross-cutting finding. FNS received authority to recover the disallowed costs from the SA, and final action is pending the recovery of the funds.

101. Audit Report on the Hawaii Department of Labor and Industrial Relations for the Fiscal Year Ended June 30, 1988, Issued December 7, 1989, Report #50568-328-SF.

The audit recommended that the SA ensure that program and fiscal monitoring reviews are documented appropriately. Changes in personnel staffing delayed final action. Corrective action is complete, and FNS is initiating final action.

102. Audit Report on the Trust Territory of the Pacific Islands for the Fiscal Year Ended June 30, 1986, Issued April 25, 1990, Report #50568-332-SF.

The audit recommended that the Trust Territory of the Pacific Islands reimburse questioned costs resulting from the excessive indirect cost rate used by the SA. A determination on the questioned costs delayed final action. Corrective action is complete, and FNS is initiating final action.

103. Grain Inspection Processes and Procedures, Issued August 30, 1988, Report #31008-2-HY*.

The audit recommended that FGIS develop and implement a method to measure more accurately moisture in corn, preferably one that employs the use of ground rather than whole kernel corn. FGIS completed the research for air oven calibration and developed a proposed timetable to implement the new moisture reference methods by FY 1995. The National Conference on Weights and Measures, public meetings on changing reference methods, and an economic impact study will affect

implementation of the plan. FGIS plans to conduct the economic impact study first. Depending on the outcome of this study, it may be classified as "major rulemaking" which could either delay or affect further implementation of this recommendation.

104. Mexico/United States Screwworm Eradication Program, Washington, D.C., Issued June 30, 1988, Report #33615-2-HY*.

The audit recommended that APHIS:

- collect unauthorized freight costs and liquidated damages;
- establish and implement procedures to require a monthly physical inventory and to maintain perpetual inventory records of supplies received and distributed;
- follow the requirements of the Federal Property and Administrative Services Act covering the use of proceeds from the sale of surplus property; and
- recover funds from prior year surplus property sales.

Since the initial response to this audit, there has been a change in the administrative staffs of both the American and Mexican Sections of the Screwworm Eradication Program. Collection of the cited funds cannot be initiated unilaterally by APHIS. APHIS will review the relevant contracts with its Mexico counterpart and develop a quarterly statistical sampling process for Screwworm Commission property. APHIS is seeking an OGC opinion regarding the proper disposition of proceeds from the sales of assets of international organizations.

105. South Dakota Department of Agriculture, Issued November 9, 1987, Report #50566-8-KC*.

The audit recommended that APHIS require the SA to submit revised financial reports for FY's 1985 and 1986 to substantiate actual expenditures charged to the agreements. APHIS billed the SA for the disallowed costs, and the SA questioned the amounts. APHIS plans to waive repayment of the disputed costs after seeking OGC concurrence. OGC is in the preliminary stages of its review.

106. Missouri Department of Agriculture, Issued July 28, 1988, Report #50566-9-KC*.

The audit recommended that APHIS:

- ensure that Federal financial reports are accurate and timely;

- ensure the SA establishes procedures to document and monitor matching costs; and
- ensure requirements and procedures are in place to obtain written extensions prior to expending Federal funds after a grant period ends.

APHIS plans to waive repayment of the disputed costs after seeking OGC concurrence. OGC is in the preliminary stages of its review.

107. Kansas Animal Health Department, Issued October 8, 1987, Report #50567-5-KC*.

The audit recommended that APHIS:

- ensure that the SA reported actual program costs; and
- determine whether the agreement allows carryover of unspent Federal monies from one fiscal year to the next and, if not, whether APHIS billed the SA for the full amount of the questioned costs.

The SA did not maintain adequate documentation to support expenditures charged to the program. APHIS billed the SA for reimbursement of the disallowed costs, and the SA questioned the amounts. APHIS plans to waive payment of the disputed amounts after seeking OGC concurrence. OGC is in the preliminary stages of its review.

108. Office of International Cooperation and Development International Training Division, Issued September 29, 1989, Report #44010-3-HY*.

The audit recommended that OICD:

- reconcile expired orders on record; and
- report unliquidated balances that should be deobligated to AID.

OICD and AID agreed to reconcile expired orders, cancel unliquidated balances, and adjust prior billings. OICD is continuing its activities to collect prior years' debt and expects to complete final action during FY 1992.

109. Audit of the Office of International Cooperation and Development Financial Management Systems, Issued July 13, 1990, Report #44060-1-HY.

The audit recommended that OICD:

- take necessary actions to implement improvements in debt and financial management as previously recommended by the cited OIG audits, the CPA study, and the OFM review;
- develop and issue written procedures for the billing and collection operations that comply with GAO standards;
- followup on all unpaid prior years' debt and ensure that amounts due are collected in a timely manner; and
- forward to GAO all outstanding receivables AID has declined to pay.

Limited resources in OICD are delaying written procedures for the Agency's billing and collections operations. OICD collected \$10.7 million in FY 1991, further reducing the negative balance to \$16.5 million as of May 1991. OICD is continuing to work on the past billing and collections process and expects to complete final action during FY 1992.

110. Security and Control of the Honeywell Mainframe Computer, National Computer Center at Kansas City, Issued March 28, 1990, Report #58099-17-FM.

The audit recommended that OIRM:

- perform a security assessment of the Honeywell system and ensure that security weaknesses and measures are reported as required in security plans and OIRM's Management Control Yearend Report;
- enforce Departmental requirements that each individual user has a unique identifier for gaining access to the system;
- determine if the number of unsuccessful password attempts can be limited and whether passwords can be required to be at least four characters or longer; and
- update the user's handbook and ensure that changes are made timely.

FCIC plans to transfer its applications off the Honeywell Mainframe Computer in early FY 1992. This will make the Honeywell configuration a single user system. OIRM had begun to evaluate two migration/retrieval packages which were expensive to purchase and to maintain. In view of the diminishing workload and the conversion dates by FCIC and ASCS, OIRM is not spending the funds to install a

data migration/retrieval management package on the Honeywell System. The transfer of applications is delaying final action.

111. Tape Library Management Controls, National Computer Center at Kansas City, Issued March 12, 1990, Report #58099-18-FM.

The audit recommended that OIRM:

- implement the security option for the Honeywell tape management software to limit access to tapes;
- implement controls to restrict access to IBM round tapes utilized on the Honeywell system, develop and implement a method to include IBM tapes in the Honeywell tape management software, and ensure that updates to both systems' tape management software occur when changes are made;
- establish controls to protect user tapes from unauthorized destruction and to prevent users from making repeated attempts to enter account codes;
- implement the necessary controls to provide users with the capability to ensure that data is readable at any point in the future;
- limit the retention or keep date for tapes to 400 days and discontinue allowing users to designate an indefinite retention date; and
- require users to recreate tapes that need to be retained in excess of 400 days and update the National Computer Center-Kansas City Customer Handbook to include the procedure for recreating tapes that are over 400 days old.

FCIC plans to transfer its applications off the Honeywell Mainframe Computer in early FY 1992. The Kansas City Management Office of ASCS (KCMO/ASCS) started converting the Honeywell based system to the IBM mainframe in FY 1991. The conversion of KCMO/ASCS applications requires converting 729 ASCS Honeywell application programs to the IBM mainframe. This is delaying final action. OIRM expects completion in early FY 1993.

112. Automated Data Processing Maintenance Agreements Within the Department of Agriculture, Issued March 23, 1987, Report #50555-1-HY*.

The audit recommended that OIRM:

- require all USDA agencies to use OFM's NFC inventory system for tracking Automated Data Processing (ADP) equipment; and

- prohibit agencies from maintaining property listings that duplicate those maintained at OFM's NFC.

OIRM experienced delays in developing policies and procedures for a separate Departmental Regulation (DR) on Maintenance of ADP equipment. OIRM published DR 3230-1, "ADP Equipment Maintenance," in August 1990. OIRM conducted a feasibility study for a central maintenance facility to service USDA agencies in May 1991. GSA has issued final reporting procedures for the revised ADP Equipment Data System (ADPE/DS). OIRM is working with the Office of Operations and OFM's NFC to change the Property Management Information System to incorporate additional information required for the ADPE/DS and to issue Departmental guidance.

APPENDIX A
FINAL ACTION ON AUDITS WITH
MONETARY FINDINGS

**Agricultural Marketing Service
Final Action on Audits With Disallowed
Costs and With Funds To Be Put To Better Use
For the 6-Month Period Ending September 30, 1991**

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	2	472,294	1	23,291,884
B. Management decisions made during the period	0		0	
C. Total (A + B)	2	472,294	1	23,291,884
D. Final action taken during the period	0		0	
E. Total reports needing final action at the end of the period	2	472,294	1	23,291,884

**Agricultural Research Service
Final Action on Audits With Disallowed
Costs and With Funds To Be Put To Better Use
For the 6-Month Period Ending September 30, 1991**

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	1	602	1	2,651,111
B. Management decisions made during the period	1	541,657	5	441,143
C. Total (A + B)	2	542,259	6	3,092,254
D. Final action taken during the period	0		0	
E. Total reports needing final action at the end of the period	2	542,259	6	3,092,254

Agricultural Stabilization and Conservation Service
Final Action on Audits With Disallowed
Costs and With Funds To Be Put To Better Use
For the 6-Month Period Ending September 30, 1991

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	37	22,549,084 ¹	16	1,178,890,835
B. Management decisions made during the period	10	3,309,569	3	765,579
C. Total (A + B)	47	25,858,653	19	1,179,656,414
D. Final action taken during the period	13	13,181,966 ²	5	26,746,277
1. Recoveries				
(a) Collections		2,714,425		
(b) Other		66		
2. Writeoffs		9,903,995		
3. Total (1 + 2)		12,618,486		
4. Recommendations completed				1,373,083
5. Recommendations not implemented or completed				25,373,194
6. Total (4 + 5)				26,746,277
E. Total reports needing final action at the end of the period	34	12,676,687	14	1,152,910,137

¹This represents a decrease of \$1,488,960 for one audit with final action and an increase of \$5,697 omitted inadvertently from the October 1, 1990 - March 31, 1991, report.

²This amount was reduced by \$20,103 as a result of documentation to support the costs and \$293,737 resulting from appeals.

**Animal and Plant Health Inspection Service
Final Action on Audits With Disallowed
Costs and With Funds To Be Put To Better Use
For the 6-Month Period Ending September 30, 1991**

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	4	492,455	4	18,524,023
B. Management decisions made during the period	0		0	
C. Total (A + B)	4	492,455	4	18,524,023
D. Final action taken during the period	1		1	212,787 ¹
1. Recommendations completed				113,815
2. Recommendations not implemented or completed				98,972
3. Total (1 + 2)				212,787
E. Total reports needing final action at the end of the period	3	492,455	3	18,311,236

¹This was reduced by \$98,972 based on a contracting officer's decision.

**Cooperative State Research Service
Final Action on Audits With Disallowed Costs
For the 6-Month Period Ending September 30, 1991**

	<u>Disallowed Costs</u>	
	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	1	308,719
B. Management decisions made during the period	0	
C. Total (A + B)	1	308,719
D. Final action taken during the period	1	308,719 ¹
1. Recoveries		
(a) Collections		126,317
(b) Other		0
2. Writeoffs		73,683
3. Total (1 + 2)		200,000
E. Total reports needing final action at the end of the period	0	0

¹This amount was reduced by \$102,141 due to documentation to support the costs and \$6,578 resulting from a change in the management decision.

Economic Research Service
Final Action on Audits With Disallowed Costs
For the 6-Month Period Ending September 30, 1991

	<u>Disallowed Costs</u>	
	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	1	205
B. Management decisions made during the period	0	
C. Total (A + B)	1	205
D. Final action taken during the period	0	
E. Total reports needing final action at the end of the period	1	205

Extension Service
Final Action on Audits With Disallowed Costs
For the 6-Month Period Ending September 30, 1991

	<u>Disallowed Costs</u>	
	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	0	
B. Management decisions made during the period	1	96,759
C. Total (A + B)	1	96,759
D. Final action taken during the period	0	
E. Total reports needing final action at the end of the period	1	96,759

**Farmers Home Administration
Final Action on Audits With Disallowed
Costs and With Funds To Be Put To Better Use
For the 6-Month Period Ending September 30, 1991**

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	20 ¹	20,617,968 ²	10	623,373,309
B. Management decisions made during the period	17	5,891,592	12	7,409,650
C. Total (A + B)	37	26,509,560	22	630,782,959
D. Final action taken during the period	9	15,796,793 ²	6	462,483
1. Recoveries				
(a) Collections		368,795		
(b) Other		1,147		
2. Writeoffs		15,427,998		
3. Total (1 + 2)		15,797,940		
4. Recommendations completed				462,483
5. Recommendations not implemented or completed				0
6. Total (4 + 5)				462,483
E. Total reports needing final action at the end of the period	28	10,712,767	16	630,320,476

¹The report for October 1, 1990 - March 31, 1991, omitted inadvertently two audits.

²Disallowed costs are reduced by \$25,294 resulting from changes in the management decision, \$67,568 resulting from appeals, and \$999,437 resulting from OIG changes in questioned costs.

Federal Crop Insurance Corporation
Final Action on Audits With Disallowed
Costs and With Funds To Be Put To Better Use
For the 6-Month Period Ending September 30, 1991

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	40	7,818,180	5	14,084,824
B. Management decisions made during the period	0		1	6,939,000
C. Total (A + B)	40	7,818,180	6	21,023,824
D. Final action taken during the period	22	1,463,402	1	929,754
1. Recoveries				
(a) Collections		2,176,027		
(b) Other		52,189		
2. Writeoffs		13,038		
3. Total (1 + 2)		2,241,254 ¹		
4. Recommendations completed				117,500
5. Recommendations not implemented or completed				812,254
6. Total (4 + 5)				929,754
E. Total reports needing final action at the end of the period	18	6,354,778	5	20,094,070

¹FCIC identified \$777,852 in disallowed costs not reported in the audit findings.

**Food and Nutrition Service
Final Action on Audits With Disallowed
Costs and With Funds To Be Put To Better Use
For the 6-Month Period Ending September 30, 1991**

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	61	11,514,356 ¹	12	187,020,552
B. Management decisions made during the period	62	2,488,530	4	280,314,500
C. Total (A + B)	123	14,002,886	16	467,335,052
D. Final action taken during the period	30	2,969,189 ²	4	11,100,856
1. Recoveries				
(a) Collections		238,689		
(b) Other		1,088,448 ³		
2. Writeoffs		0		
3. Total (1 + 2)		1,330,719		
4. Recommendations completed				11,100,856
5. Recommendations not implemented or completed				0
6. Total (4 + 5)				11,100,856
E. Total reports needing final action at the end of the period	93	11,033,697	12	456,234,196

¹This was a decreased by \$135,394 due to changes in the management decisions.

²This amount was reduced by \$2,362,919 as a result of documentation to support the costs.

³The agency collected \$756,920 in disallowed costs not identified in the audit.

**Food Safety and Inspection Service
Final Action on Audits With Disallowed
Costs and With Funds To Be Put To Better Use
For the 6-Month Period Ending September 30, 1991**

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	6	2,663,128	0	
B. Management decisions made during the period	1	1,241,966	1	994,229
C. Total (A + B)	7	3,905,094	1	994,229
D. Final action taken during the period	4	2,726	0	
1. Recoveries				
(a) Collections		973		
(b) Other		1,753		
2. Writeoffs		0		
3. Total (1 + 2)		2,726		
E. Total reports needing final action at the end of the period	3	3,902,368	1	994,229

**Foreign Agricultural Service
Final Action on Audits With
Funds To Be Put To Better Use For the
6-Month Period Ending September 30, 1991**

	<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	1	6,219,645
B. Management decisions made during the period	0	
C. Total (A + B)	1	6,219,645
D. Final action taken during the period	0	
E. Total reports needing final action at the end of the period	1	6,219,645

Forest Service
Final Action on Audits With Disallowed
Costs and With Funds To Be Put To Better Use
For the 6-Month Period Ending September 30, 1991

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	4	474,838	11	66,426,810
B. Management decisions made during the period	2	45,691	1	452,240
C. Total (A + B)	6	520,529	12	66,879,050
D. Final action taken during the period	1	87,400	3	1,381,239 ¹
1. Writeoffs		87,400		
2. Total		87,400		
3. Recommendations completed				565,859
4. Recommendations not implemented or completed				891,091 ²
5. Total (3 + 4)				1,384,950
E. Total reports needing final action at the end of the period	5	433,129	9	65,497,811

¹This amount was reduced by \$519,326 and \$275,000, due to a contracting officer's decision and appeals, respectively.

²A contracting officer's decision increased this amount by \$3,711.

Office of Finance and Management
Final Action on Audits With Disallowed
Costs and With Funds To Be Put To Better Use
For the 6-Month Period Ending September 30, 1991

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	1	10,290	0	
B. Management decisions made during the period	0		1	584,302
C. Total (A + B)	1	10,290	1	584,302
D. Final action taken during the period	0		0	
E. Total reports needing final action at the end of the period	1	10,290	1	584,302

**Office of the General Counsel
Final Action on Audits With
Funds To Be Put To Better Use
For the 6-Month Period Ending September 30, 1991**

	<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	0	
B. Management decisions made during the period	1	247,202
C. Total (A + B)	1 ¹	247,202
D. Final action taken during the period	0	
E. Total reports needing final action at the end of the period	1	247,202

¹This audit involves a SCS contract and is assigned to OGC for legal action.

**Office of Information Resources Management
Final Action on Audits With
Funds To Be Put To Better Use For the
6-Month Period Ending September 30, 1991**

	<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	1	442,572
B. Management decisions made during the period	0	
C. Total (A + B)	1	442,572
D. Final action taken during the period	0	
F. Total reports needing final action at the end of the period	1	442,572

Office of the Secretary
Final Action on Audits With
Funds To Be Put To Better Use
For the 6-Month Period Ending September 30, 1991

	<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	0	
B. Management decisions made during the period	1	371,465
C. Total (A + B)	1	371,465
D. Final action taken during the period	0	
E. Total reports needing final action at the end of the period	1	371,465

**Rural Electrification Administration
Final Action on Audits With
Funds To Be Put To Better Use
For the 6-Month Period Ending September 30, 1991**

	<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	1	1,500,000 ¹
B. Management decisions made during the period	0	
C. Total (A + B)	1	1,500,000 ¹
D. Final action taken during the period	0	
E. Total reports needing final action at the end of the period	1	1,500,000 ¹

¹REA disagrees with this amount.

**Soil Conservation Service
Final Action on Audits With Disallowed
Costs and With Funds To Be Put To Better Use
For the 6-Month Period Ending September 30, 1991**

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	1	291,235	7	2,793,197
B. Management decisions made during the period	1	2,282	1	557,685
C. Total (A + B)	2	293,517	8	3,350,882
D. Final action taken during the period	0		2	305,787 ¹
1. Recommendations completed				34,000
2. Recommendations not implemented or completed				271,787
3. Total (1 + 2)				305,787
E. Total reports needing final action at the end of the period	2	293,517	6	3,045,095

¹This was reduced by \$271,787 based on a contracting officer's decision.

ACKNOWLEDGEMENTS

RESPONSIBLE AGENCY

Office of Finance and Management - Larry Wilson, Director
David Rector, Acting Deputy
Director for Policy

REPORT DEVELOPMENT AND PREPARATION

Juliette Bethea - Chief, Federal Assistance and Fiscal Policy Division
Lyn Zimmerman - Team Leader, Audit Liaison Team
Catherine Cronin
Valerie Culmer
Lennetta Elias
Kim McNeil
Ruchira Kansal

AUDIT LIAISON OFFICIALS CONTRIBUTING TO THIS REPORT

David Lewis	AMS	Don Husnick	APHIS
Christopher Reagan	ASCS	Leonard Hardy, Jr.	FmHA
Barry Abromovage	FAS	Mary Ann Manor	FCIC
J. T. Abshier	FGIS	David Temoshok	FNS
Charles Hartgraves	FS	Margaret O'K Glavin	FSIS
Norman Franklin	OICD	Elizabeth Kockendorfer	OIG
Pat Grimmnitz	OIRM	Thomas Scanlon	REA

PUBLICATION

Office of Operations - Larry Bridgeforth, Duplicating Services
Ralph Spencer, Duplicating Services

